

Report Highlights

Louisiana Housing Finance Agency

Administration of Energy Assistance Programs

April 2005

Louisiana Legislative Auditor

The Louisiana Housing Finance Agency's (LHFA) Energy Assistance Department (EAD) administers two federally funded energy assistance programs: the Weatherization Assistance Program (WAP) and the Low Income Home Energy Assistance Program (LIHEAP). The programs assist low-income residents of Louisiana, with priority given to households occupied by young children, the elderly, and persons with disabilities. LHFA began administering the programs in 2001 through local subgrantees, which deliver WAP services and LIHEAP assistance throughout the state. The subgrantees, at LHFA's direction, must establish and maintain an application process that assures that all persons eligible for energy assistance services are afforded the opportunity to apply for services and that the eligibility guidelines and review process for each applicant are based on criteria that are fair, equitable, and non-discriminatory.



Audit Results

Some Program Operations and Practices Are Ineffective and Inefficient

- ◆ EAD's budget process does not encourage subgrantees to spend the majority of their WAP budgets.
- ◆ EAD used an inappropriate funding allocation formula to make awards to WAP subgrantees in program years 2002, 2003, and 2004.
- ◆ The number and configuration of WAP and LIHEAP subgrantees may contribute to inefficient distribution of weatherization services and energy assistance.

Data Reported by LHFA Are Not Always Accurate and Reliable

- ◆ EAD could not provide us with sufficient documentation to determine the current amount of carryover (unexpended) funds available for WAP or LIHEAP.
- ◆ EAD could not provide us with the exact number of units weatherized through WAP.
- ◆ EAD has made limited use of available technology to administer the energy assistance programs.

EAD's Monitoring of Subgrantees Has Not Ensured That Program Objectives Are Met

- ◆ EAD monitoring policies do not require monitors to inspect an adequate number of weatherized units to ensure that funds are used in accordance with WAP program objectives.
- ◆ The number of LIHEAP files reviewed by program monitors was not adequate.

Poor Communication Has Hampered Program Effectiveness and Efficiency

- ◆ EAD has been using outdated policies and procedures to administer the energy assistance programs.
- ◆ EAD and the Board of Commissioners have not established strong channels of communication, which has hampered the board's ability to effectively oversee EAD activities.

LHFA Has Not Fully Complied With All Legal and Administrative Requirements

- ◆ EAD did not track federal grant funds from DOE and DHHS separately for 2002 and 2004.
- ◆ WAP and LIHEAP eligibility guidelines were set too low for 2002.

Steve J. Theriot,
CPA

Legislative
Auditor

Have the Management and Oversight of the Energy Assistance Department (EAD) Ensured That the Maximum Number of Eligible Low-Income Louisiana Residents Received Weatherization Services and Energy Assistance?

WHAT WE FOUND

- ◆ EAD's budget process does not encourage subgrantees to spend the majority of their WAP budgets. EAD did not reward subgrantees that performed well or sanction those that did not.

In 2002, 13 of 28 (46.4%) subgrantees expended less than 50% of their contracted WAP funds. EAD increased the 2003 budgets for 11 of the 13 (84.6%).

In 2003, eight of 24 (33.3%) subgrantees expended less than 50% of their contracted WAP funds.

EAD decreased the 2003 budgets for three of the 15 (20%) subgrantees that expended the majority of their WAP budgets the previous year.

During 2002 and 2003, approximately \$937,384 and \$968,882 in WAP funds were not used by the subgrantees. These funds could have been used to weatherize an additional 365 units in 2002 and 371 units in 2003 based on DOE guidelines.

RECOMMENDATION

- ✓ EAD should adopt and implement a formal policy that encourages subgrantees to expend the majority of their contracted WAP and/or LIHEAP funds each year. The policy should include incentives and sanctions for using, or not using, a stated percentage of their budgets.
- ◆ EAD used an inappropriate funding allocation formula to make awards to WAP subgrantees in 2002, 2003, and 2004.

EAD management and staff had difficulty understanding and explaining the methodology of the funding allocation formula it used.

We found several multiplication and division errors that resulted in available DOE funds not being distributed equitably throughout the state. EAD also erroneously included a heat factor in the allocation formula, which was unnecessary based on Louisiana's climate.

EAD pre-determined that 456 units would be weatherized in 2004, and then allocated the funds based on that number whereas the funding allocation formula allowed for 515 units to be weatherized—a difference of 59 units.

EAD developed a new funding allocation formula during the audit, which should ensure that funds are distributed adequately across the state.

RECOMMENDATION

- ✓ EAD should continue using the newly developed funding allocation formula for WAP and LIHEAP. EAD should also review the allocation formula each year and determine if it requires any enhancements or modifications resulting from program changes, changes in statutes, et cetera.
- ◆ The number and configuration of WAP and LIHEAP subgrantees may contribute to inefficient distribution of weatherization services and energy assistance.

In 2004, 23 WAP subgrantees served the state in non-contiguous regions. Louisiana is the only state in the DOE WAP Central Region that does not provide weatherization services in contiguous regions.

In 2003, Louisiana had almost three times as many WAP subgrantees as the average number of subgrantees in the Central Region, yet weatherized 43% fewer units, on average, than the other states.

Each of the 41 LIHEAP subgrantee serves an average of 1.6 parishes in Louisiana, compared to Arkansas, which stated that each of its subgrantees serves an average of 4.7 counties.

RECOMMENDATION

- ✓ EAD should reduce the number of subgrantees that provide weatherization services and energy assistance to low-income residents of the state and should serve all parishes in contiguous regions.
- ◆ EAD could not provide us with sufficient documentation to determine the current amount of carryover (unexpended) funds available for WAP or LIHEAP.

We estimated that EAD had approximately \$2.1 million in WAP carryover funds at the beginning of 2004.

- ◆ EAD could not provide us with the exact number of units weatherized through WAP.

For 2002 and 2003, we could not determine whether EAD reported an accurate and reliable total for the number of units weatherized to DOE. The table on the following page shows the different totals we obtained from various sources at LHFA.

Number of Units Weatherized Program Years 2002 and 2003				
Program Year	Cost Reports	Annual Close-Out Reports	Reports EAD Sent to DOE	DOE Web Site
2002	722	769	541	541
2003	715	685	881	386

RECOMMENDATION

- ✓ EAD management should track and monitor monthly statistical and financial data received from subgrantees for WAP and LIHEAP to ensure that the data are accurate, logical, and reliable. In cases where subgrantees submit cost reports or annual close-out reports that contain inaccurate data, EAD should return the reports to the subgrantees and require them to amend and resubmit the reports.
- ◆ **EAD has made limited use of available technology to administer the energy assistance programs.**

RECOMMENDATION

- ✓ EAD should use available technology such as electronic reporting, e-mail, database technology, and spreadsheet capabilities to help ensure that it accumulates and reports accurate and reliable data to outside parties. The technology should include data entry and general security controls.
- ◆ **WAP and LIHEAP monitoring policies do not require monitors to inspect an adequate number of files to ensure that funds are used in accordance with program objectives.**

In 2003, one subgrantee weatherized 104 units, yet EAD only inspected five (4.8%) of the units. Therefore, the monitor may not have seen an accurate and/or complete picture of the subgrantee's activities.

In 2004, EAD will make approximately 6,882 energy assistance payments, but monitors will only review 820 (11.9%) of them as required by current EAD policy.

RECOMMENDATIONS

- ✓ EAD should amend its policies for monitoring WAP and LIHEAP subgrantees to require that a representative sample for each subgrantee is reviewed during each program year. EAD should determine the number of WAP and/or LIHEAP files to monitor based on a percentage of the total units weatherized for WAP and the total households provided energy assistance for LIHEAP during the program year under review.

- ✓ EAD monitors should conduct monitoring visits for both WAP and LIHEAP programs at the same time to increase efficiency and reduce administrative costs.

- ◆ **EAD has been using outdated policies and procedures to administer the energy assistance programs.**

EAD program and accounting staff perform the same cursory review of cost reports each month.

The annual report posted on LHFA's Web site is for fiscal year 2000.

LHFA has two distinctly different mission statements listed on its Web site.

RECOMMENDATIONS

- ✓ LHFA senior management should update the WAP and LIHEAP policy manuals for the daily program and financial operations of the EAD. LHFA should clearly communicate the new policies and procedures to EAD in an effective manner.
- ✓ LHFA should develop job descriptions and duties for EAD staff that appropriately reflect each individual's responsibilities. LHFA should also require accountability of EAD staff in the areas of program operations and finances for which they are responsible and develop ways to eliminate duplication of efforts.
- ✓ LHFA senior management should ensure that the agency's most recent annual report is posted on the LHFA Web site and that a clear mission statement is communicated.
- ◆ **EAD and the Board of Commissioners have not established strong channels of communication, which has hampered the board's ability to effectively oversee EAD activities.**

EAD staff only updated the board on EAD operations at three of 20 board meetings held between October 2002 and August 2004. The last update was in April 2003. In addition, the LHFA internal auditor did not report any information to the board. The auditor reported directly to the LHFA president.

The board's bylaws are outdated and do not reflect the current composition of the board.

The board does not have a chairperson or vice-chairperson.

Board members' attendance at meetings is lacking.

RECOMMENDATIONS

- ✓ The LHFA Board of Commissioners should create an energy committee and receive regular reports from the EAD program manager on energy activities.
- ✓ The board should create an internal audit committee and receive regular reports from the internal auditor on energy activities.
- ✓ The LHFA president should take steps to ensure that the internal audit department is organizationally independent of LHFA senior management and that the auditors work for and report directly to the LHFA board and/or its audit committee.
- ✓ The audit committee should review information published by the Institute of Internal Auditors to become familiar with board responsibilities and duties in relation to the internal audit function.
- ✓ The board should amend the bylaws to reflect the correct number of board members as stated in statute.
- ✓ The board should elect a chairperson and a vice-chairperson at the earliest possible time.
- ✓ The members of the board should improve their attendance at board meetings. In addition, the chair should encourage members to attend meetings regularly.
- ✓ The LHFA board secretary should ensure that all links on the agency's Web site contain accurate and complete information.

Matter for Legislative Consideration

- ✓ The legislature should review R.S. 40:600.4 and determine whether or not the Realtists Association of Louisiana still exists and amend the law accordingly, if necessary. The legislature should also determine if the governor met the intent of the law by appointing a minority real estate professional to the Board of Commissioners in place of a realtor.

◆ **EAD did not track federal grant funds from DOE and DHHS separately for 2002 and 2004.**

◆ **WAP and LIHEAP eligibility guidelines were set too low for 2002.**

Some Louisiana residents were eligible for assistance but did not receive it.

RECOMMENDATIONS

- ✓ LHFA should adopt and implement a formal policy that disallows the combining of WAP and LIHEAP funds for budget purposes.
- ✓ At the beginning of each program year, EAD should determine whether 60% of the state's median income or 150% of the poverty level is greater and use the higher amount as the eligibility requirement for WAP and LIHEAP.
- ◆ **Opportunities that could strengthen the energy assistance programs are as follows:**
 - ◆ Leveraging funds for WAP and LIHEAP
 - ◆ Using more of available DHHS funds for WAP
 - ◆ Initiating low-cost and no-cost weatherization activities
- ◆ **Issues for further study are as follows:**
 - ◆ Results Oriented Management and Accountability (ROMA)
 - ◆ Residential Energy Assistance Challenge Option (REACH)
 - ◆ Review of other LHFA programs

Louisiana Legislative Auditor

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**Questions?
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LOUISIANA HOUSING FINANCE AGENCY
ADMINISTRATION OF ENERGY ASSISTANCE PROGRAMS



PERFORMANCE AUDIT
ISSUED APRIL 13, 2005

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April 13, 2005


The Honorable Donald E. Hines,
President of the Senate
The Honorable Joe R. Salter,
Speaker of the House of Representatives

Dear Senator Hines and Representative Salter:

This report provides the results of our performance audit of the federal Energy Assistance Programs, which are administered by the Louisiana Housing Finance Agency (LHFA). This audit was conducted under the provisions of Louisiana Revised Statute 24:513(D)(4), as amended.

This report contains our findings, conclusions, and recommendations. Appendix B contains LHFA's response. I hope this report will benefit you in your legislative decision-making process.

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

SJT/ss

[LHFAEP05]

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EXECUTIVE SUMMARY

The Louisiana Housing Finance Agency (LHFA) through its Energy Assistance Department (EAD) manages two federally funded energy assistance programs in Louisiana: the U.S. Department of Energy's Weatherization Assistance Program (WAP) and the U.S. Department of Health and Human Services' Low Income Home Energy Assistance Program (LIHEAP). We reviewed the program and financial operations of both WAP and LIHEAP for program years 2002, 2003, and 2004. However, because LHFA was unable to provide all requested information and documentation for each of these three program years, some of our findings are based on data from only one or two program years. Our findings are summarized as follows:

Performance Audit Findings

Some Program Operations and Practices Are Ineffective and Inefficient

- EAD's budget process does not encourage subgrantees to spend the majority of their WAP budgets. *See pages 12-14.*
- EAD used an inappropriate funding allocation formula to make awards to WAP subgrantees in program years 2002, 2003, and 2004. *See page 15.*
- The number and configuration of WAP and LIHEAP subgrantees may contribute to inefficient distribution of weatherization services and energy assistance. *See pages 16-19.*

Data Reported by LHFA Are Not Always Accurate and Reliable

- EAD could not provide us with sufficient documentation to determine the current amount of carryover (unexpended) funds available for WAP or LIHEAP. *See pages 19-20.*
- EAD could not provide us with the exact number of units weatherized through WAP. *See pages 20-21.*
- EAD has made limited use of available technology to administer the energy assistance programs. *See pages 21-22.*

EAD's Monitoring of Subgrantees Has Not Ensured That Program Objectives Are Met

- EAD monitoring policies do not require monitors to inspect an adequate number of weatherized units to ensure that funds are used in accordance with WAP program objectives. *See pages 22-23.*
- The number of LIHEAP files reviewed by program monitors was not adequate. *See pages 23-24.*

Poor Communication Has Hampered Program Effectiveness and Efficiency

- EAD has been using outdated policies and procedures to administer the energy assistance programs. *See pages 24-25.*
- EAD and the Board of Commissioners have not established strong channels of communication, which has hampered the board's ability to effectively oversee EAD activities. *See pages 25-29.*

LHFA Has Not Fully Complied With All Legal and Administrative Requirements

- EAD did not track federal grant funds from DOE and DHHS separately for program years 2002 and 2004. *See page 30.*
- WAP and LIHEAP eligibility guidelines were set too low for program year 2002. *See pages 30-31.*

Opportunities That Could Strengthen the Energy Assistance Programs

LHFA has not taken advantage of available opportunities that would help strengthen the WAP and LIHEAP programs. Three opportunities of which EAD may wish to take advantage in the future are as follows:

- Leveraging funds for WAP and LIHEAP. *See page 33.*
- Using more of available DHHS funds for WAP. *See pages 33-34.*
- Initiating low-cost and no-cost weatherization activities. *See page 34.*

Issues for Further Study

We identified three issues that came to our attention during the audit but that were not within the scope of the audit. The issues may warrant future review and/or study by LHFA. They are as follows:

- Results Oriented Management and Accountability (ROMA). *See page 35.*
- Residential Energy Assistance Challenge Option (REACH). *See page 35.*
- Review of other LHFA programs. *See page 35.*

INTRODUCTION

Audit Initiation and Objectives

Louisiana Revised Statute (R.S.) 24:513(D)(4) directs the Office of Legislative Auditor to conduct performance audits, program evaluations, and other studies to enable the legislature and its committees to evaluate the efficiency, effectiveness, and operations of state programs and activities. R.S. 24:513(D)(4) directs the legislative auditor to select the programs for review; accordingly, we selected two programs administered by the Louisiana Housing Finance Agency's (LHFA) Energy Assistance Department (EAD) for the 2004 audit period. At its July 30, 2003, meeting, the Legislative Audit Advisory Council approved an audit of LHFA as part of our plan for fiscal year 2004. We began the audit in April 2004; however, the release of this audit report was delayed because of LHFA's inability to provide us with accurate and/or reliable documentation in a timely manner.

Our audit objective was to determine if the management and oversight of EAD ensured that the maximum number of eligible low-income Louisiana residents received weatherization services and energy assistance.

Overview of Energy Assistance Programs

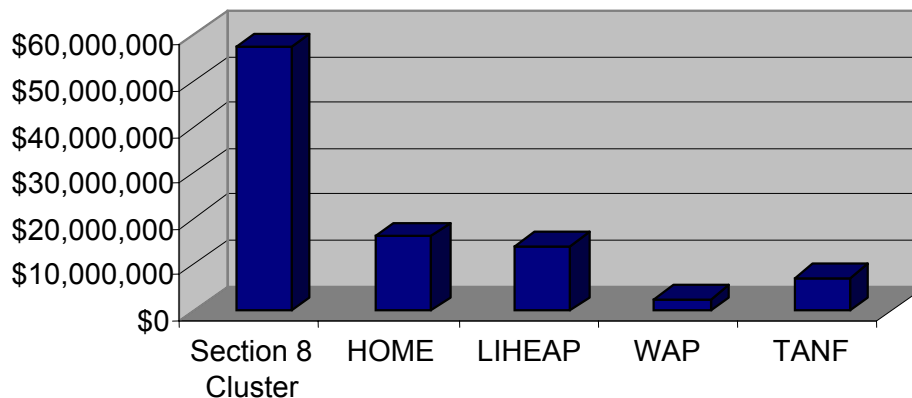
The mission of LHFA is to assure that every Louisiana resident is granted an opportunity to obtain safe, affordable, energy efficient housing. LHFA specializes in forming partnerships with federal, state, and local governmental units, banks, lending institutions, and nonprofit and for-profit developers to make housing affordable for Louisiana's families. LHFA administers its programs through four programmatic departments: Single Family, Housing Tax Credit, HOME Programs, and Energy Assistance. These departments receive grant funds from various federal agencies for the following programs:

- Section 8 Cluster
- Home Investment Partnerships Program (HOME)
- Low Income Home Energy Assistance (LIHEAP)
- Weatherization Assistance (WAP)
- Temporary Assistance for Needy Families (TANF)

In state fiscal year 2004, LHFA expended federal awards for these programs as shown in Exhibit 1 on the following page.

Exhibit 1

**LHFA Federal Award Expenditures
State Fiscal Year 2004**



Source: Prepared by legislative auditor's staff using information from Postlethwaite and Netterville financial audit dated August 2004.

LHFA began administering the energy assistance programs as a result of Act 702 of the 2001 Regular Legislative Session, which amended R.S. 36:477(C)(1) and transferred the authority to administer federal grants for weatherization services and energy assistance for low-income persons from the Department of Social Services to LHFA. As a result, LHFA had administered WAP and LIHEAP for program years 2002, 2003, and part of 2004 at the time of our audit. The WAP program year is from April 1 through March 31, while the LIHEAP program year follows the federal fiscal year of October 1 through September 30.

LHFA is overseen by a 15-member Board of Commissioners. LHFA's EAD manages the two energy assistance programs. LHFA contracts with nonprofit agencies and local governments, referred to as subgrantees, to deliver WAP services and LIHEAP assistance to low-income households throughout the state. The subgrantees, at LHFA's discretion, must establish and maintain an application process that assures that all persons eligible for energy assistance services are afforded the opportunity to apply for services and that the eligibility guidelines and review process for each applicant are based on criteria that are fair, equitable, and non-discriminatory.

Weatherization Assistance Program (WAP). WAP is funded through grants from the U.S. Department of Energy (DOE) and the U.S. Department of Health and Human Services' (DHHS) LIHEAP. Up to 15% of the total LIHEAP grant received by LHFA may be added to the DOE grant for WAP and used for weatherization services. LHFA receives the grant funds and, through contractual agreements, provides the funds to participating subgrantees. The subgrantees then deliver weatherization services to eligible low-income households within their service delivery areas. WAP is one of the largest energy conservation programs in the nation and is implemented in all 50 states and the District of Columbia. According to DOE, the program had goals to weatherize an average of 94,191 households or units for fiscal years 2001

through 2003. The overall goal of WAP is to reduce energy costs for low-income families, particularly for the elderly, people with disabilities, and children, by improving the energy efficiency of their homes while ensuring their health and safety. The program is authorized under Title IV of the Energy Conservation and Production Act (P.L. 94-385, as amended) of 1976. The primary goals of WAP are to:

- (1) reduce national energy consumption of fossil fuels and imported oil;
- (2) reduce the impact of higher fuel costs; and
- (3) improve the comfort level and reduce energy costs of low-income families.

Eligibility for the weatherization program is set at a level equal to 125% of the poverty level. However, since LIHEAP funds may also be used for weatherization and usually make up the larger portion of the total funds, WAP administrators may use LIHEAP eligibility requirements for WAP. Furthermore, a single family dwelling unit is eligible for weatherization assistance if it is occupied by a family unit that meets the following household eligibility requirements:

- It has been pre-inspected for eligibility in accordance with the National Energy Audit Tool or the Manufactured Home Energy Audit.
- It has not been previously weatherized using WAP funds unless it received only partial weatherization services from September 30, 1975, through September 30, 1985.
- It has been damaged by fire, flood, or act of God and repair of the damage to weatherization materials is not paid for by insurance.

Low Income Home Energy Assistance Program (LIHEAP). LIHEAP provides assistance in the form of energy payments to vendors on behalf of eligible households and is funded through a grant from DHHS. DHHS also provides LIHEAP grants in crisis and emergency situations with energy payments and in-kind benefits of fans, space heaters, and air conditioner/heater repairs. The objectives of LIHEAP are to:

- (1) help low-income families meet the costs of home energy;
- (2) increase energy self-sufficiency; and
- (3) reduce vulnerability resulting from energy needs.

Like WAP, LIHEAP is implemented in all 50 states and the District of Columbia. LIHEAP assists eligible low-income households in meeting the heating and cooling portion of their residential energy needs. The target population is low-income households, especially those with the lowest incomes and the highest home energy costs or needs in relation to income.

Additional targets are low-income households with members who are especially vulnerable, including the elderly, persons with disabilities, and young children.

EAD administers three types of LIHEAP payments.

- Energy payments to vendors on behalf of eligible households
- Intervention in energy crisis situations with energy payments and in-kind benefits of fans, space heaters, and air conditioner/heater repairs
- Emergency payments caused by:
 - (1) a natural disaster;
 - (2) a significant home energy supply shortage or disruption; or
 - (3) a significant increase in the cost of home energy, as determined by the DHHS secretary.

For the purpose of this audit, we did not include LIHEAP crisis or emergency payments in our audit scope. We focused only on LIHEAP energy assistance payments.

To be eligible to receive LIHEAP assistance, a household must be low income and meet additional eligibility criteria established by DHHS. LIHEAP grantees can set the household income cutoff at any figure between 110% of the poverty level and the greater of 150% of the poverty level or 60% of state median income. Usually 60% of state median income is higher than 150% of the poverty level. Both the poverty level and state median income are adjusted according to the number of persons living in a household applying for assistance. The additional LIHEAP eligibility criteria are as follows:

- The home is vulnerable to having its energy service interrupted.
- There is an active energy account.
- No LIHEAP assistance has been received in the previous 12 months.

DOE and DHHS combined to allocate \$50,490,920 to LHFA for WAP and LIHEAP for program years 2002, 2003, and 2004. Over \$38.5 million was for LIHEAP. The remaining amount, almost \$12 million, was used for WAP, as shown in Exhibit 2.

Exhibit 2 EAD Sources of Funding Program Years 2002, 2003, 2004				
Program Year	DOE (WAP)	DHHS (WAP)	DHHS (LIHEAP)	Total
2002	\$1,752,591	\$2,235,032	\$12,665,184	\$16,652,807
2003	\$1,701,665	\$2,187,978	\$12,398,539	\$16,288,182
2004	\$1,731,371	\$2,372,784	\$13,445,776	\$17,549,931
Total	\$5,185,627	\$6,795,794	\$38,509,499	\$50,490,920
Source: Prepared by legislative auditor's staff using information provided by LHFA. Note: LHFA may use up to 15% of the total DHHS LIHEAP award for WAP. In this exhibit, total DHHS funds (\$45,305,293) were distributed 15% to WAP and 85% to LIHEAP. In addition, we assumed that the maximum amount of LIHEAP funds (15%) was used for WAP because we could not determine the exact amount from LHFA's records.				

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HAVE THE MANAGEMENT AND OVERSIGHT OF THE ENERGY ASSISTANCE DEPARTMENT (EAD) ENSURED THAT THE MAXIMUM NUMBER OF ELIGIBLE LOW-INCOME LOUISIANA RESIDENTS RECEIVED WEATHERIZATION SERVICES AND ENERGY ASSISTANCE?

EAD's management and oversight of the energy assistance programs have not always ensured that the maximum number of eligible low-income Louisiana residents received weatherization services and energy assistance. We noted deficiencies in the following five areas that contributed to the agency's inability to reach the maximum number of residents. Each area is discussed separately in the following sections of the report.

1. Program Operations and Practices
2. Accuracy and Reliability of Data
3. Monitoring
4. Communication
5. Compliance with Legal and Administrative Requirements

As a result of weaknesses in these areas, LHFA increases its risk of being deemed a "high-risk" grantee by DOE and/or DHHS. If LHFA were to be classified as a high-risk grantee, it would further inhibit the agency's ability to provide assistance to the maximum number of Louisiana residents. According to the Code of Federal Regulations, 10 CFR 600.212(a), a grantee may be considered high-risk if an awarding agency determines that the grantee:

- (1) has a history of unsatisfactory performance;
- (2) is not financially stable;
- (3) has a management system that does not meet the standards set forth under applicable law;
- (4) has not conformed to terms and conditions of previous awards; or
- (5) is otherwise not responsible.

The Code of Federal Regulations, 10 CFR 600.212(a) and (b), further state that if the awarding agency determines that an award will be made, special conditions and/or restrictions shall correspond to the high risk condition and shall be included in the award. Special conditions or restrictions may include the following:

- Payment on a reimbursement basis
- Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given funding period
- Requiring additional, more detailed financial reports
- Additional project monitoring
- Requiring the grantee to obtain technical or management assistance
- Establishing additional prior approvals

In addition to the internal control deficiencies we noted, we also identified three opportunities or initiatives that LHFA could have implemented that could have improved the overall effectiveness and efficiency of EAD's program operations. We also identified three issues for further study, which LHFA should address.

Some Program Operations and Practices Are Ineffective and Inefficient

EAD's oversight of WAP and LIHEAP is hampered by a number of problems that, when taken together, have seriously limited the department's ability to ensure that the programs are managed effectively and efficiently, that federal funds are being spent wisely and as intended, and that the programs are carried out in accordance with program requirements. In addition, LHFA has not been able to ensure that federal funds are being used to assist the maximum number of Louisiana residents because of the lack of an effective internal control environment and the absence of needed policies and procedures. Some members of LHFA senior management and the Board of Commissioners attributed these problems to staffing needs at LHFA. According to LHFA's Human Resources Manager, positions within the EAD are not classified as analytical and/or technical in nature. Furthermore, some board members we interviewed criticized management, DOE, and DHHS for their lack of oversight of the energy assistance programs.

The U.S. Office of Management and Budget Circular A-87(A)(1)(2) maintains, in part, that state government agencies are responsible for the efficient and effective administration of federal awards through the application of sound management practices. Furthermore, government agencies assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award.

EAD's budget process does not encourage subgrantees to spend the majority of their WAP budgets. Our audit determined that EAD could serve more low-income residents if it more effectively ensured that the majority of budgeted funds are expended at the subgrantee level. For instance, for program years 2002 and 2003, EAD did not have contract incentives or

other policies in place to encourage subgrantees to expend the WAP funds they were allocated. Thirteen of 28 (46.4%) subgrantees expended less than 50% of their contracted WAP funds in program year 2002. In program year 2003, eight of 24 (33.0%) subgrantees expended less than 50% of their contracted WAP funds. EAD did not sanction these subgrantees for either of these years. In fact, EAD increased the program year 2003 contracts for 11 of the 13 (85%) subgrantees that expended less than 50% of their contracted funds the previous year. Exhibit 3 shows the 11 subgrantees that received budget increases in program year 2003 despite expending less than half of their prior year's budgets.

Exhibit 3 WAP Subgrantees That Expended Less Than 50% of Program Year 2002 Budgets but Received Program Year 2003 Budget Increases						
Subgrantee	2002 Contract Amount (Budget)	2002 Actual Expenditures	Percent of Budget Used	2003 Contract Amount (Budget)	Dollar Increase in Budget	Percent Increase in Budget
Pointe Coupee	\$24,152	\$0	0.0%	\$30,196	\$6,044	25.0%
West Baton Rouge	\$11,326	\$0	0.0%	\$22,623	\$11,297	99.7%
St. Bernard	\$35,341	\$4,390	12.4%	\$52,909	\$17,568	49.7%
Assumption	\$15,279	\$2,304	15.1%	\$16,745	\$1,466	9.6%
St. John the Baptist	\$22,013	\$3,623	16.5%	\$31,890	\$9,877	44.9%
St. Tammany	\$70,911	\$16,923	23.9%	\$98,693	\$27,782	39.2%
St. Charles	\$22,137	\$6,835	30.9%	\$30,196	\$8,059	36.4%
City of Baton Rouge	\$209,920	\$66,691	31.8%	\$219,972	\$10,052	4.8%
Lafourche	\$48,208	\$16,862	35.0%	\$54,603	\$6,395	13.3%
Terrebonne	\$53,200	\$19,398	36.5%	\$59,906	\$6,706	12.6%
Jefferson	\$191,055	\$82,980	43.4%	\$216,010	\$24,955	13.1%
Total	\$703,542	\$220,006	26.1%	\$833,743	\$130,201	18.5%
Source: Prepared by legislative auditor's staff using information provided by LHFA.						

In addition, for program years 2002 and 2003, EAD did not reward subgrantees that expended the majority of their contracted WAP funds. EAD decreased program year 2003 budgets for three of the 15 (20.0%) subgrantees that expended the majority of their budgets the previous year. Furthermore, for program year 2003, EAD gave subgrantees that expended most of their program year 2002 budgets lower budget increases, on average, than those that did not expend the majority of their budgets. Exhibit 4 on the following page shows these budget increases and decreases.

Exhibit 4 WAP Subgrantees That Expended More Than 50% of Program Year 2002 Budgets and Their Program Year 2003 Budget Increases/Decreases						
Subgrantee	2002 Contract Amount (Budget)	2002 Actual Expenditures	Percent of Budget Used	2003 Contract Amount (Budget)	Dollar Increase/ Decrease in Budget	Percent Increase/ Decrease in Budget
Plaquemines	\$13,805	\$6,975	50.5%	\$24,317	\$10,512	76.1%
TCA	\$287,094	\$207,471	72.3%	\$223,236	(\$63,858)	(22.2%)
SMILE	\$248,672	\$194,448	78.2%	\$250,258	\$1,586	.6%
Caddo	\$425,566	\$347,072	81.6%	\$421,858	(\$3,708)	(.9%)
Allen	\$18,512	\$15,699	84.8%	\$24,317	\$5,805	34.1
St. James	\$15,036	\$12,775	85.0%	\$15,051	\$15	.1%
LaSalle	\$358,002	\$309,150	86.4%	\$391,571	\$33,569	9.4%
QUAD	\$231,379	\$213,021	92.1%	\$265,754	\$34,375	14.9%
St. Mary	\$69,359	\$66,039	95.2%	\$77,318	\$7,959	11.5%
BOCS	\$410,492	\$397,207	96.8%	\$417,897	\$7,405	1.8%
DeSoto	\$75,376	\$73,055	96.9%	\$79,369	\$3,993	5.3%
Avoyelles	\$50,463	\$49,167	97.4%	\$45,338	(\$5,125)	(10.2%)
Natchitoches	\$87,660	\$85,635	97.7%	\$92,817	\$5,157	5.9%
St. Landry	\$80,565	\$78,757	97.8%	\$88,853	\$8,288	10.3%
Vernon	\$54,790	\$54,693	99.8%	\$56,872	\$2,082	3.8%
Total	\$2,426,771	\$2,111,164	87.0%	\$2,474,826	\$48,055	2.0%
Source: Prepared by legislative auditor's staff using information provided by LHFA.						

During program year 2002, the 28 active subgrantees did not expend a total of \$937,384 in contracted WAP funds. We estimated that these funds could have weatherized a minimum of 365 additional housing units assuming an average maximum cost per unit of \$2,568, as is stated in the DOE guidelines for program year 2002. For program year 2003, we estimated that \$968,882 in contracted WAP funding that subgrantees did not expend could have weatherized at least 371 additional units. This estimate is based on the DOE maximum cost per unit of \$2,614 for that year.

We could not conduct an analysis for LIHEAP to determine whether a similar situation existed for that program because LHFA could not provide us with the information necessary to do so.

Recommendation 1: EAD should adopt and implement a formal policy that encourages subgrantees to expend the majority of their contracted WAP and/or LIHEAP funds each year. The policy should include sanctions for not using a stated percentage of their budgets and/or incentives to use a stated percentage of their budgets.

Summary of Management's Response: LHFA agrees with this recommendation and will implement a formal policy to ensure that subgrantee services/performances produce maximum benefits to the public.

EAD used an inappropriate funding allocation formula to make awards to WAP subgrantees in program years 2002, 2003, and 2004. We noted several problems with the way EAD allocated funds to the WAP subgrantees in program years 2002 and 2003. For instance, EAD management and staff had difficulty understanding and explaining the methodology for creating the funding allocation formula it used. The Louisiana Department of Social Services created the formula, and LHFA inherited it along with the energy programs in fiscal year 2001. However, the EAD staff could not explain how it worked or what the basis for it was.

In addition, we analyzed the WAP allocation formula and detected multiplication and division errors that resulted in available DOE funds not being distributed equitably throughout the state. Furthermore, EAD had erroneously included a heat factor in the allocation formula. DOE uses a heat factor when allocating funds at the federal level because climates between states and regions of the country vary greatly. However, EAD did not need to use a heat factor because the differences in climate and temperature among Louisiana's parishes during the winter and summer are not significant. Including the heat factor resulted in some parishes not being served adequately by EAD. Finally, for program year 2004, EAD pre-determined the number of units to be weatherized instead of letting the funding allocation formula make this determination. That is, EAD decided to weatherize 456 units using DOE funds, and then allocated the available funds based on that number. However, the funding allocation formula resulted in a budget of 515 units, or a difference of 59 units.

As was the case with the budget analysis, we could not conduct a specific analysis of the allocation of LIHEAP funds because EAD could not provide us with the necessary information to do so. However, EAD uses the same allocation formula for LIHEAP.

During our audit, LHFA appointed a new manager to the EAD. The new manager has changed the allocation formula used for WAP and LIHEAP. EAD plans to use the new formula for program year 2005 WAP budgets in April 2005, which should result in an adequate and fair allocation of funds throughout the state for the program. The new formula will also be used when the next LIHEAP program year begins in October 2005.

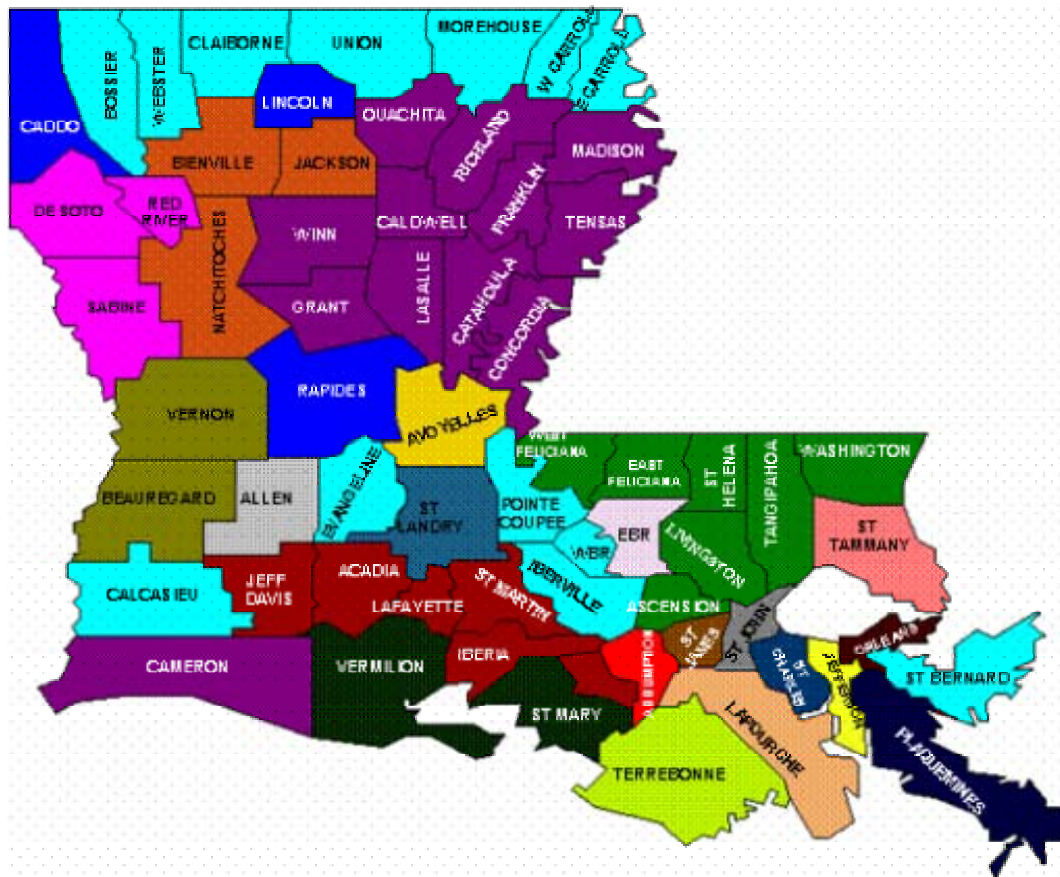
Recommendation 2: EAD should continue using the newly developed funding allocation formula for WAP and LIHEAP. EAD should also review the allocation formula each year and determine if it requires any enhancements or modifications resulting from program changes, changes in statutes, et cetera. EAD should keep in mind that the formula should result in the maximum number of low-income residents being served.

Summary of Management's Response: LHFA agrees with this recommendation and will continue to use the newly developed funding allocation formula for WAP and LIHEAP.

In program year 2004, 23 WAP subgrantees served the state in non-contiguous regions. The map in Exhibit 5 shows Louisiana's WAP service delivery system.

Exhibit 5

WAP Providers in Louisiana



Source: Prepared by legislative auditor's staff using information provided by LHFA.

According to a survey we conducted of the 11 other states in the DOE WAP Central Region, Louisiana is the only state that does not provide services in contiguous regions. The survey results also show that Louisiana has almost three times as many subgrantees as the average of the other states. In addition, EAD weatherized approximately 42.9% fewer units, on average, than the other states in program year 2003 based on the number of units EAD reported to DOE for program year 2003.¹ Exhibit 6 shows the results of the survey.

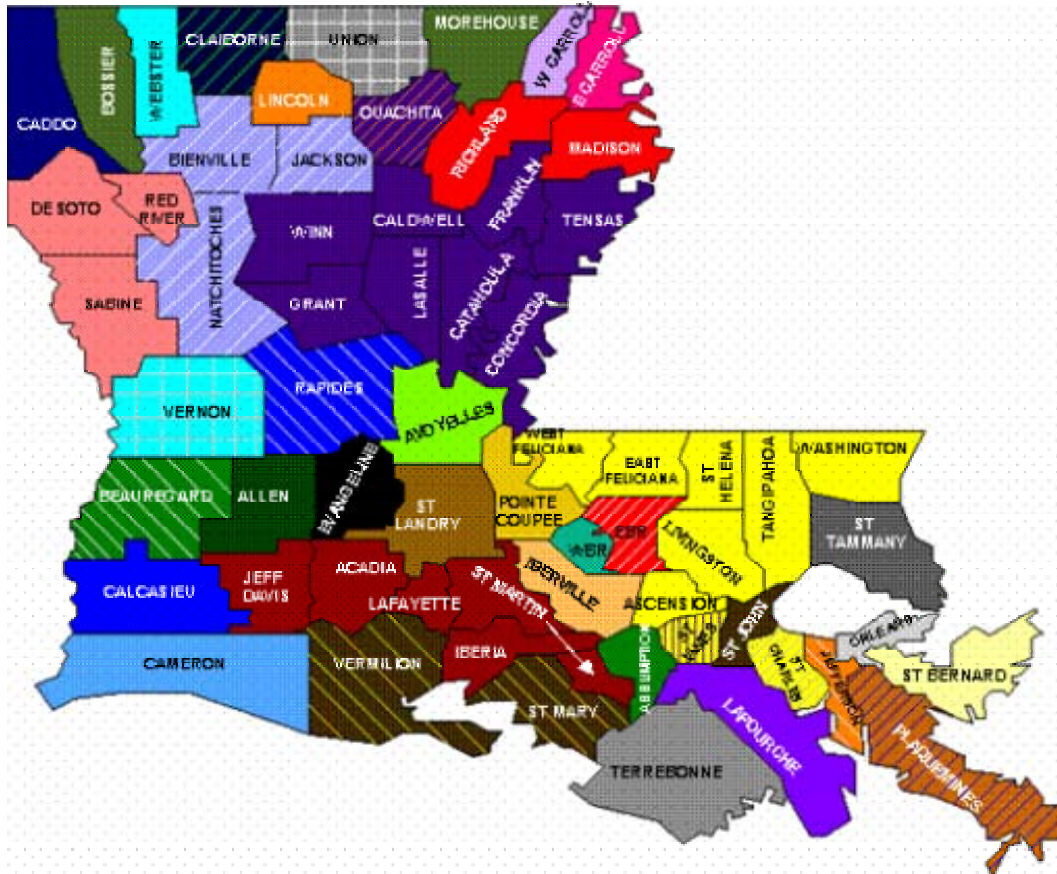
Exhibit 6 WAP - DOE Central Region Survey Results				
State	Number of Subgrantees	Number of Counties/Parishes	Contiguous Service?	Units Weatherized in Program Year 2003
Colorado	8	63	Yes	4,096
Kansas	8	105	Yes	1,400
Montana	11	56	Yes	2,300
Nebraska	9	93	Yes	1,331
New Mexico	5	33	Yes	472
North Dakota	7	53	Yes	1,301
Oklahoma	20	77	Yes	953
South Dakota	4	67	Yes	*
Texas**	**	**	Yes	**
Utah	8	29	Yes	1,698
Wyoming	3	23	Yes	324
Average	8	60	Yes	1,542
Louisiana	23	64	No	881
<p>*South Dakota did not provide this information in its survey response.</p> <p>**We excluded data for Texas because Texas is so large that its data skews the analysis. Texas has 34 subgrantees and 256 counties and weatherized over 6,000 units in program year 2003.</p> <p>Source: Prepared by legislative auditor's staff using information from states responding to our survey.</p>				

¹ See pages 20-21 for discussion of the how the four different sources we reviewed all contained different numbers of units completed. We used 881 for this analysis because it is the amount that LHFA reported to DOE.

LOUISIANA HOUSING FINANCE AGENCY

Louisiana serves eligible LIHEAP residents through 41 subgrantees throughout the state. The map in Exhibit 7 shows the LIHEAP subgrantees in each region.

Exhibit 7
LIHEAP Providers in Louisiana



Source: Prepared by legislative auditor's staff using information provided by LHFA.

We also conducted a survey of the four other states in the DHHS Region 6 for LIHEAP. Arkansas was the only state that responded to our survey question regarding the number of subgrantees that administer LIHEAP. According to Arkansas' response, the average number of counties served by each of its subgrantees is 4.7. This figure compares to 1.6 parishes in Louisiana.

Serving eligible residents through the use of a contiguous regional structure could help ensure that the maximum number of low-income individuals benefit from the energy assistance programs for multiple reasons, including the following:

- Lower administrative costs could increase the amount of funds available for services.
- Monitoring activities could become more efficient and effective.
- Residents could receive increased services and benefits from a local subgrantee versus one located in another area of the state.

Recommendation 3: EAD should reduce the number of subgrantees that provide weatherization services and energy assistance to low-income residents of the state and should serve all parishes in contiguous regions. In doing so, EAD should contact other states for their input and obtain guidance from DOE and DHHS.

Summary of Management's Response: LHFA agrees that the Energy Assistance Programs can be managed more efficiently if the number of subgrantees is reduced.

Data Reported by LHFA Are Not Always Accurate and Reliable

In program years 2002 and 2003, LHFA staff reported statistical and financial information for WAP and LIHEAP to DOE and DHHS that they did not develop from reliable data sources or base on accepted methods of data collection or thoroughly reviewed analyses and models. The 2003 Compliance Supplement of the U.S. Office of Management and Budget Circular A-133(L) says, in part, that agencies should have an accounting or information system that provides for the reliable processing of financial and performance information for federal awards. Despite this requirement, we noted numerous data accuracy and reliability problems throughout the audit. These problems were one of the major reasons why the completion of the audit was significantly delayed.

EAD could not provide us with sufficient documentation to determine the current amount of carryover (unexpended) funds available for WAP or LIHEAP. Therefore, we conducted our own analysis to try to determine the correct carryover balance. Our analysis was limited, given the fact that little reliable data were available with which to conduct it. However, we were able to estimate that EAD had approximately \$2.1 million in WAP carryover funds at

the beginning of program year 2004. We could not perform a similar analysis for LIHEAP because EAD could not provide us with the data necessary to do so. Exhibit 8 shows the estimated amount of WAP carryover funds for program years 2002 through 2004.

Exhibit 8 Estimated Carryover for WAP (DOE and DHHS Funds) Program Years 2002, 2003, and 2004				
Program Year	Beginning Balance	Allocated Funds	Actual Expenditures	Ending Balance
2002	\$0*	\$3,559,929	\$2,331,171	\$1,228,758
2003	\$1,228,758	\$3,683,888	\$2,796,560	\$2,116,086
2004	\$2,116,086			
*We assumed a starting balance of \$0 when the programs were transferred from DSS to LHFA. Note: DOE and DHHS define carryover as unobligated funds. EAD defines carryover as unexpended funds. Source: Prepared by legislative auditor's staff using information obtained from EAD.				

EAD could not provide us with the exact number of units weatherized through WAP. We found numerous errors in the monthly cost reports that WAP subgrantees submitted to EAD. Our review showed that most subgrantees consistently reported incomplete and/or inaccurate information to EAD. In many cases, required information on the cost reports was left blank. In addition, some reports contained inaccurate year-to-date totals for the number of units weatherized, and some contained current month totals that exceeded year-to-date totals. We noted errors reported during each month of each program year we examined. It did not appear that EAD staff had reviewed the cost reports for accuracy and reliability. In addition, it did not appear that EAD returned inaccurate cost reports to subgrantees and required them to resubmit the reports with corrections when errors were detected.

Accepting inaccurate reports from the subgrantees contributed to LHFA's inaccurate reporting to DOE and DHHS. Three previous evaluations or audits cited the same finding. An evaluation by an independent consultant in December 2002, an evaluation by DOE in June 2004, and an independent audit by a private CPA firm in September 2004 all made reference to EAD's acceptance of inaccurate cost reports from subgrantees.

For program years 2002 and 2003, we could not determine whether EAD reported an accurate and reliable total for the number of units weatherized to DOE. The number that EAD reported to DOE does not agree with the totals in the monthly cost reports that the subgrantees submitted, nor does it agree with the annual Close-Out Reports that the subgrantees submitted. Furthermore, the totals in the Close-Out Reports do not agree with the totals in the monthly cost reports. Finally, the DOE Web site reflects different totals than some of the other three sources. Exhibit 9 on the following page shows the number of units completed according to the four different data sources we examined.

Exhibit 9 WAP Number of Units Weatherized Program Years 2002 and 2003				
Program Year	Cost Reports From Subgrantees	Annual Close-Out Reports From Subgrantees	Reports EAD Sent to DOE	DOE Web Site
2002	722	769	541	541
2003	715	685	881	386
Source: Prepared by legislative auditor's staff using information obtained from the listed sources.				

As the exhibit illustrates, for program year 2003, EAD reported to DOE that it weatherized a total of 881 units. In the same report to DOE, EAD also reported that it assisted a total of 610 people through its weatherization services. This statement could imply that EAD (through the subgrantees) weatherized 271 unoccupied homes.

Recommendation 4: EAD management should track and monitor monthly statistical and financial data received from subgrantees for WAP and LIHEAP to ensure that the data are accurate, logical, and reliable. In cases where subgrantees submit cost reports or annual close-out reports that contain inaccurate data, EAD should return the reports to the subgrantees and require them to amend and resubmit the reports.

Summary of Management's Response: LHFA agrees that it should better track and monitor statistical and financial data received from the subgrantees for WAP and LIHEAP and that it should return subgrantee reports that are deficient.

EAD has made limited use of available technology to administer the energy assistance programs. EAD could become more efficient and could better ensure accuracy and reliability of data by making use of available technology to monitor program operations for WAP and LIHEAP. EAD does not use available technology such as spreadsheets, databases, or electronic reporting to capture WAP data from subgrantees. In program year 2004, EAD did use electronic spreadsheets to identify and track people who received energy assistance payments through LIHEAP. However, EAD still cannot accurately determine who received energy assistance services or when they received the services, which results in data that are not accurate and/or reliable.

EAD is in the process of implementing the Housing Development Software (HDS) tracking system, which is currently used in other departments at LHFA. HDS is primarily used to track revenues and expenditures at LHFA. According to LHFA officials, EAD wants to use HDS to track statistical information such as the number of units weatherized and the number of energy assistance payments made, and the system appears to have the capabilities to do so. However, to track such statistical information, EAD needs to clearly communicate its needs to

the Information Technology Department, which should then work with the software vendor to customize HDS to effectively capture WAP and LIHEAP data from subgrantees.

Recommendation 5: EAD should use available technology such as electronic reporting of subgrantee activities, e-mail, database technology (possibly including HDS), and spreadsheet capabilities to help ensure that it accumulates and reports accurate and reliable data to outside parties. The technology should include data entry controls such as edit checks, exception reporting, access controls, reviews of input and output data, and general security controls.

Summary of Management's Response: LHFA agrees that improved technology is necessary and essential for the efficient and effective operations of the Energy Assistance Programs.

EAD's Monitoring of Subgrantees Has Not Ensured That Program Objectives Are Met

Our review of monitoring files showed that EAD program monitors did not always ensure that subgrantees met the WAP and LIHEAP objectives. A primary objective of WAP is to permanently reduce the energy bills of low-income residents by making their homes more energy efficient. For LIHEAP, an important objective is to assist low-income households with their energy bills.

The Office of Management and Budget's Circular A-133 (Compliance Supplement) states, in part, that grantees should provide reasonable assurance that federal award information and compliance requirements are identified to subgrantees, subgrantee activities are monitored, subgrantee audit findings are resolved, and the impact of any subgrantee noncompliance is evaluated. Although the EAD program monitors complied with most monitoring standards, we identified several deficiencies.

EAD monitoring policies do not require monitors to inspect an adequate number of weatherized units to ensure that funds are used in accordance with WAP program objectives. DOE requires that WAP be monitored; however, it does not define how, when, or how many units should be reviewed. Therefore, EAD developed its own policy regarding the number of units to be monitored annually. The policy requires monitors to inspect a minimum of five contracted units per subgrantee or all units if a subgrantee weatherized fewer than five units. We reviewed EAD's monitoring files for five WAP subgrantees for program year 2003 and determined that the monitors did not review the required number of files for three of the five (60.0%) subgrantees. Exhibit 10 on the following page shows the results of our review of the monitoring files.

Exhibit 10
WAP Monitoring Results
Program Year 2003

Subgrantee	Contracted Units	Required Reviews	Reviews Completed	Variance
Assumption	2	2	2	0
Avoyelles	9	5	5	0
Jefferson	47	5	2	3
Plaquemines	4	4	2	2
St. Tammany	21	5	3	2
Total	83	21	14	7
Note: If a subgrantee contracts to weatherize fewer than five units in a program year, all of the units must be inspected. Source: Prepared by legislative auditor's staff using information in EAD's WAP monitoring files and reports.				

In addition, the monitoring policy may not be sufficient in some cases to ensure that the subgrantees achieve the program's objectives. For example, one subgrantee weatherized a total of 104 units during program year 2003, according to its final close-out report. Two other subgrantees weatherized 95 and 97 units, respectively. In these cases, the monitors may not see an accurate and/or complete picture of the subgrantees' overall activities since they are only required to inspect five or fewer units.

The number of LIHEAP files reviewed by program monitors was not adequate. The EAD program monitors did not review an adequate number of LIHEAP files and payments to ensure that all recipients were eligible, that program rules were followed, and that the program benefited the maximum number of low-income residents. EAD's monitoring rules for LIHEAP require the monitors to review a minimum of 20 LIHEAP files for each subgrantee. This requirement may not be adequate to ensure program compliance. For example, during program year 2004, EAD will make approximately 6,882 energy assistance payments totaling approximately \$1.5 million. Under the current monitoring policy, EAD would monitor only 820 of those files (11.9%). By only reviewing a small percentage of the files, the monitors may not be able to see an accurate and/or complete picture of the subgrantees' overall activities. In addition, they cannot ensure that residents are receiving assistance according to the program rules.

We also noted that the program monitors did not review files and conduct inspections for WAP and LIHEAP on the same subgrantee visit. The monitors typically travel to the subgrantees' offices to conduct WAP monitoring during one part of the year and then travel to the subgrantees' offices to conduct LIHEAP monitoring at another time. This monitoring schedule can result in decreased efficiency of program operations and increased administrative costs.

Recommendation 6: EAD should amend its policies for monitoring WAP and LIHEAP subgrantees to require that a representative sample for each subgrantee is reviewed during each program year. EAD should determine how many WAP and/or LIHEAP files to monitor based on a percentage of the total units weatherized (for WAP) and the total households provided energy assistance payments (for LIHEAP) during the program year under review.

Summary of Management's Response: LHFA agrees that the WAP and LIHEAP monitoring policies should be amended to ensure that an appropriate, representative sample of units and/or files is reviewed during monitoring visits.

Recommendation 7: EAD should take advantage of the synergies that exist between WAP and LIHEAP subgrantees. For example, each of the 23 current WAP subgrantees is also a LIHEAP subgrantee. Therefore, EAD monitors should conduct monitoring visits for both programs at the same time to increase efficiency and reduce administrative costs.

Summary of Management's Response: LHFA agrees that the EAD should take advantage of the synergies that exist between WAP and LIHEAP subgrantees.

Poor Communication Has Hampered Program Effectiveness and Efficiency

LHFA needs to establish more effective communication channels among EAD management and staff, accounting staff, LHFA senior management, and the LHFA Board of Commissioners. As a result, in part, of poor communication, EAD has reported inaccurate and unreliable program information, certain work efforts have been duplicated, program management has experienced significant turnover, and the energy assistance programs have not provided weatherization services and energy assistance to the maximum number of low-income residents in the state.

According to best practices audit criteria regarding communication, LHFA management should ensure that effective communication channels exist to carry information to people throughout the organization who need it. Management and staff should be able to use the established channels to communicate relevant information to the right people in a timely manner. Management should have clear internal communication channels that inform employees of their duties and responsibilities, report sensitive matters, enable employees to provide suggestions for improvement, and provide the information necessary for all employees to carry out their responsibilities effectively. Strong communication channels are needed to convey management's message that internal control responsibilities are important and should be taken seriously.

EAD has been using outdated policies and procedures to administer the energy assistance programs. Our audit revealed that EAD has been using outdated policies and procedures, which it inherited from DSS, to manage the energy assistance programs. The current policy manual was last revised in April of 1999 and refers to DSS instead of LHFA throughout its entirety. Because the manual has not been updated, it may contain inaccurate or outdated information on the energy assistance programs. Using outdated policies can result in the energy assistance programs, EAD staff, and/or EAD management operating without an appropriate level of guidance.

In addition, EAD program staff and accounting staff perform the same cursory review each month when cost reports are received from the subgrantees. Having both groups review the same documents results in duplication of efforts. EAD could benefit from creating clearly defined roles and responsibilities so that a level of accountability exists if inaccurate and/or unreliable data are reported.

Finally, the annual report posted on LHFA's Web site is for fiscal year 2000. Annual reports generally communicate information about an agency's recent activities and accomplishments. Since the annual report on LHFA's Web site is four years old, individuals who visit the Web site cannot obtain current information about the agency's activities, including the energy programs. LHFA also has two distinctly different mission statements listed on its Web site, which could further complicate management's ability to ensure that all programs are functioning effectively and efficiently.

Recommendation 8: LHFA senior management should update the WAP and LIHEAP policy manuals by developing formal policies and procedures that govern the daily program and financial operations of the Energy Assistance Department. LHFA should clearly communicate the new policies and procedures to EAD in an effective manner.

Summary of Management's Response: LHFA agrees that Policy Manuals should be updated and clearly communicated to staff.

Recommendation 9: LHFA should develop job descriptions and duties for EAD staff that appropriately reflect each individual's responsibilities. LHFA should also require accountability of EAD staff in the areas of program operations and finances for which they are responsible and develop ways to eliminate duplication of efforts.

Summary of LHFA's Response: LHFA agrees with this recommendation and has initiated contact with appropriate Civil Service staff to review positions, job descriptions, and duties for each LHFA position.

Recommendation 10: LHFA senior management should ensure that the agency's most recent annual report is posted on the LHFA Web site and should implement procedures to update the posting each year. In addition, LHFA should have a clear mission and ensure that it is communicated correctly on its Web site.

Summary of Management's Response: LHFA agrees with this recommendation and will ensure that the Agency's Web site contains accurate and current information.

EAD and the Board of Commissioners have not established strong channels of communication, which has hampered the board's ability to effectively oversee EAD activities. The Board of Commissioners has not received regular briefings from the EAD program manager or internal auditor. In addition, the board's bylaws need to be updated, the members need to elect a chair and vice-chair, and attendance of commissioners at board meetings needs to be improved. Furthermore, available public information about membership of

the Board of Commissioners is, in many cases, incomplete and inaccurate. As a result of these deficiencies, the board is not as informed as it should be about WAP and LIHEAP activities.

We reviewed the minutes of the 20 board meetings held from October 2002 through August 2004. For 16 (80%) of these meetings, a representative from EAD was present; however, EAD staff only updated the board on energy program operations at three of those meetings. The last update was in April 2003. According to one board member we interviewed, the board has an Energy Committee. However, the committee does not appear to be operational. Neither the minutes nor the board's bylaws contain any mention of an energy committee. In addition, several board members we interviewed expressed a lack of knowledge about the energy committee or the energy programs. They said that they would benefit from receiving regular briefings on EAD activities by the EAD manager. Implementing an energy committee would help improve communication of WAP and LIHEAP activities to the board.

Recommendation 11: The LHFA Board of Commissioners should amend its bylaws to create an energy committee. The committee should be responsible for receiving regular reports from the EAD program manager on WAP and LIHEAP activities. The committee should present relevant issues, concerns, and/or problems to the full board at its monthly meetings.

Summary of Management's Response: The LHFA Board of Commissioners has established an Energy Committee.

In addition, the board has not been briefed by the LHFA internal auditor. According to the minutes we reviewed, the board did not discuss any internal audit issues, and the only references to audit activities within EAD were about our ongoing performance audit. Furthermore, the board's bylaws make no mention of an audit committee or internal audit activities. In response to its need for more information, the board discussed establishing an audit committee at its November 2004 meeting. However, since the board did not have a chair and the vice-chair was absent, the board postponed the approval of the audit committee, and it has not yet been approved.

According to the LHFA internal auditor, she will report to the Audit Committee once the committee is established. Currently, she reports to the LHFA president. It is important for the internal auditor to report directly to the board. According to the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, the internal audit activity should be independent (i.e., free from interference) in determining the scope of internal auditing, performing work, and communicating results. Furthermore, according to an IIA publication, an audit committee should exercise an active oversight role with respect to the internal audit function. Activities of the audit committee should include the following:

- Reviewing and approving the internal audit charter
- Concurring on the appointment or removal of the internal auditor
- Reviewing and pre-approving audit plans and budgets

- Reviewing audit results
- Requesting audit projects
- Requesting quality assurance reviews

Recommendation 12: The Board of Commissioners should amend its bylaws to create an internal audit committee. The committee should be responsible for receiving regular reports from the LHFA internal auditor on WAP and LIHEAP audit activities and any other issues of concern. The committee should present audit issues and results to the full board at its monthly meetings.

Summary of Management's Response: LHFA's board committees are created by the Board and not by amending bylaws. However, senior management agrees with this recommendation and will offer it to the Board of Commissioners for its consideration.

Recommendation 13: The LHFA president should take steps to ensure that the internal audit department is organizationally independent of LHFA senior management and that the auditors work for and report directly to the LHFA Board of Commissioners and/or its audit committee.

Summary of Management's Response: This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for its consideration.

Recommendation 14: The audit committee should review information published by the Institute of Internal Auditors to become familiar with board responsibilities and duties in relation to the internal audit function.

Summary of Management's Response: This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for its consideration.

Another problem we identified is that parts of the Board of Commissioners' bylaws are outdated and inaccurate, which further hampers effective communication about the board's activities and responsibilities as they relate to WAP and LIHEAP. The bylaws contain information such as job titles, job descriptions, and board membership and responsibilities that is no longer representative of its current environment. For example, R.S. 40.600:4 provides for the number of board members and was amended during the 2003 Regular Legislative Session, but the bylaws have not been updated to reflect the change. The bylaws still provide for 16 commissioners, whereas R.S. 40.600:4 now provides for only 15 members. Although the bylaws contain a provision that says that the number of commissioners shall be 16 unless the act is amended to provide for a different number, retaining the old number of board members in the bylaws can cause confusion as to how many board members there actually are. In addition, the bylaws cite LHFA's previous address. The agency moved into its current location in the fall of 2002. Operating under current bylaws should help improve communication with LHFA staff as it relates to the board's oversight of the energy programs.

Recommendation 15: The LHFA Board of Commissioners should amend its bylaws to state that there are 15 board members instead of 16 and to include the correct address for LHFA.

Summary of Management's Response: This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for its consideration.

In addition, the board has operated for several months without an elected chair or vice chair, which has further hampered its effectiveness and communication in relation to the energy programs. R.S. 40:600.5(A)(1)(a) states the commissioners shall annually elect one of their members as chair and another as vice chair. Section 15 of LHFA's bylaws states that the board shall elect such officers of the agency annually at the first regular meeting in April in each calendar year. However, according to our review of board minutes, the board did not meet in April of 2004, and the board had still not elected a chair or vice chair as of the end of our fieldwork. According to the LHFA president, the board members had not elected officers because they had been waiting for the governor to appoint new members of the board.

In late January 2005, after our inquiries about board appointments, the governor appointed seven new members to the board. Five of the new members replaced other members who had previously been appointed, and two filled vacant seats on the board. Now that the appointments have been made, the board should go forward with electing officers. Electing officers will help the board function more effectively and improve communications among board members and between the board and the agency.

Recommendation 16: The LHFA Board of Commissioners should elect a chair and a vice chair at the earliest possible time.

Summary of Management's Response: At its February 2005 meeting, the Board of Commissioners elected officers.

We identified a potential problem with one of the new board appointments. R.S. 40:600.4 says that one board member must be a representative of the Realtists Association of Louisiana. The Realtist Association of Louisiana is an affiliate of the National Association of Real Estate Brokers, the oldest and largest minority trade association in America. However, the Governor's Office could not verify that the association exists anymore in Louisiana because it is not registered with the Secretary of State's office. Therefore, the governor made an alternate appointment, a person who is a minority realtor, in an effort to satisfy the intent of the statute.

Matter for Legislative Consideration 1: The legislature should review R.S. 40:600.4 and determine whether or not the Realtists Association of Louisiana still exists and amend the law accordingly, if necessary. The legislature should also determine if the governor has met the intent of the law by appointing a minority real estate professional to the Board of Commissioners in place of a realtist.

In addition to the fact that the board has been operating without a chair and vice chair, we noted a lack of attendance by board members at monthly board meetings. This situation could indirectly impact communications and operations related to the EAD. Section 9 of the LHFA

Bylaws provides that regular meetings of the board shall be held monthly with the place, date, and time thereof to be fixed by the board. However, for the time period for which we reviewed minutes, five (25%) meetings were cancelled because of a lack of a quorum. In addition, the average number of board members in attendance at each meeting was only 8.6 out of 15, or 57.3%.

Recommendation 17: The members of the LHFA Board of Commissioners should improve their attendance at board meetings. In addition, the chair should encourage members to attend meetings regularly and take action if individual members develop a pattern of absence.

Summary of Management's Response: This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for its consideration.

Finally, we noted that various sources of available public information about the members of the Board of Commissioners are inaccurate and/or incomplete. We had great difficulty identifying the current members of the board. We checked two lists on the LHFA Web site, the board minutes, the Secretary of State's list of board appointments, the boards and commissions database kept by the Assistant Secretary of the Senate, and information kept by the Governor's Office of Boards and Commissions to try to obtain a current list of commissioners' names, addresses, and telephone numbers. All of the sources had different information. In addition, many of the commissioners we interviewed said that they were not sure who all of the other commissioners were.

Recommendation 18: The LHFA board secretary should ensure that all links on the agency's Web site listing the names of the Board of Commissioners contain accurate and complete information. In addition, the secretary should work with the Secretary of State, the Assistant Secretary of the Senate, and the Governor's Office of Boards and Commissions to ensure that all entities have the same accurate information.

Summary of Management's Response: LHFA senior management agrees with this recommendation and has updated the Web site to accurately reflect the names of the Board of Commissioners and sent updated board information to the agencies listed in the recommendation.

LHFA Has Not Fully Complied With All Legal and Administrative Requirements

DOE and DHHS publish policies and procedures for WAP and LIHEAP. However, the agencies did not actively enforce full compliance with all legal and administrative requirements for the energy assistance programs during program years 2002, 2003, and 2004. As a result, EAD may have been given the impression that it is not important to fully comply with federal requirements. However, the lack of enforcement by DOE and DHHS does not mean that LHFA does not have to comply with federal regulations.

EAD did not track federal grant funds from DOE and DHHS separately for program years 2002 and 2004. The Code of Federal Regulations, 45 CFR 96.30, provides, in part, that fiscal controls and accounting procedures must be sufficient to permit the preparation of reports and permit the tracking of funds to the level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute. This regulation means that the two types of federal grant funds must be tracked separately so that LHFA can accurately report the number of units weatherized and number of households assisted through WAP and LIHEAP using DOE and DHHS funds. However, EAD did not track the federal grant funds separately in program years 2002 and 2004. Instead, EAD added the funds together and then budgeted them across both energy assistance programs. As a result, EAD was not able to easily or accurately determine how many units were weatherized with DOE funds versus DHHS funds.

Recommendation 19: LHFA should adopt and implement a formal policy that disallows the combining of WAP and LIHEAP funds for budget purposes. The policy should be effectively communicated to EAD program staff and LHFA accounting staff.

Summary of Management's Response: LHFA agrees that combining WAP and LIHEAP funds for budget purposes should be discontinued but objects to the statement that EAD may have given the impression that it is not important to fully comply with federal requirements.

Legislative Auditor's Additional Comments: LHFA has misquoted the statement. The statement actually says that EAD may have *been* given the impression that it is not important to fully comply with federal requirements.

WAP and LIHEAP eligibility guidelines were set too low for program year 2002. According to 42 USCS 8624, LHFA certifies that EAD will use the greater of 150% of the poverty level or 60% of the state's median income to determine program eligibility and ensure that the maximum number of low-income residents receive energy assistance benefits. However, for program year 2002, EAD did not use the appropriate income eligibility requirement for WAP or LIHEAP, which resulted in some residents not receiving assistance for which they were eligible. For program years 2003 and 2004, EAD used the higher income guideline to determine eligibility, which is the correct method to use. Exhibit 11 shows WAP and LIHEAP eligibility requirements.

Exhibit 11 WAP and LIHEAP Eligibility Requirements Program Years 2002, 2003, and 2004				
Program Year	150% of Poverty Level	60% of State Median Income	EAD Used	Correct?
2002	\$27,150	\$28,418	\$27,150	No
2003	\$27,600	\$30,740	\$30,740	Yes
2004	\$28,275	\$31,379	\$31,379	Yes
Source: Prepared by legislative auditor's staff using 42 USCS 8624 and information provided by EAD.				

Recommendation 20: At the beginning of each new program year, EAD should determine whether 60% of the state's median income or 150% of the poverty level is greater and use the higher amount as the eligibility requirement for WAP and LIHEAP.

Summary of Management's Response: LHFA agrees with this recommendation. The revised manual will require annual evaluation of the criteria to determine income eligibility requirements.

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OPPORTUNITIES THAT COULD STRENGTHEN THE ENERGY ASSISTANCE PROGRAMS

During our audit, we noted several opportunities of which LHFA could take advantage to help ensure that the maximum number of low-income residents in the state receive weatherization services through WAP and energy assistance through LIHEAP. Each opportunity is discussed separately in the following paragraphs. The opportunities are as follows:

- Leveraging funds for WAP and LIHEAP
- Using more of available DHHS funds for WAP
- Initiating low-cost and no-cost weatherization activities

Leveraging funds for WAP and LIHEAP. Leveraging supplements the federal energy assistance grants with funds from other sources. In its program year 2003 State Plan, LHFA said that it would explore the possibility of leveraging funds with utility vendors, governmental entities, local community action agencies, and other nonprofits for WAP. However, WAP and LIHEAP were financed 100% using DOE and DHHS funds. LHFA should coordinate with other federal, state, and local agencies and/or with privately funded utilities and energy companies to leverage the amount of funding for WAP and LIHEAP that is available to the state. Leveraging would result in increased funding, which could increase the number of low-income residents who receive services and assistance.

DSS leveraged energy assistance resources the year before the energy assistance programs were transferred to LHFA. In fact, in program year 2001, EAD received an additional \$217,075 from DHHS as a reward for DSS's leveraging activities in the previous year. DSS leveraged available funds by soliciting donations from churches totaling \$6.3 million, having local utility companies offer discounts to seniors and waive late fees totaling \$715,417, and having local utility companies perform free weatherization audits totaling \$243,000. LHFA could use all of these activities to leverage available funds for energy assistance.

Using more of available DHHS funds for WAP. Louisiana residents receive a greater benefit from WAP than LIHEAP because weatherization reduces low-income residents' need for direct cash assistance for utility bills. According to 45 CFR 96.83, EAD may use up to 15% of LIHEAP funds each year for weatherization services. However, with special permission from DHHS, the percentage may be increased up to 25%. If EAD had requested the full 25% from DHHS, it could have weatherized an additional 1,730 homes between April 2002 and March 2005. Exhibit 12 on the following page shows the additional funding EAD could have obtained from DHHS.

Exhibit 12
Additional DHHS Funds That Could Have Been Used for WAP
Program Years 2002, 2003, and 2004

Program Year	DHHS LIHEAP Award	15% for WAP	25% for WAP	Additional Funds Available	Maximum Cost Per Unit*	Additional Units That Could Have Been Weatherized
2002	\$14,900,216	\$2,235,032	\$3,725,054	\$1,490,022	\$2,568	580
2003	\$14,586,517	\$2,187,978	\$3,646,629	\$1,458,651	\$2,614	558
2004	\$15,818,560	\$2,372,784	\$3,954,640	\$1,581,856	\$2,672	592
	\$45,305,293	\$6,795,794	\$11,326,323	\$4,530,529	N/A	1,730

*Maximum allowable cost per unit is defined annually by DOE.

Source: Prepared by legislative auditor's staff using information from DHHS award letters for LIHEAP and DHHS and DOE policies.

Initiating low-cost and no-cost weatherization activities. Currently, weatherization services include installing attic, wall, floor, and duct insulation; repairing doors and windows; replacing missing or cracked window panes; caulking; weather-stripping; patching cracks and holes in ceilings, walls, and floors; installing switch and outlet gaskets, replacing thresholds; and installing door bottoms. Related health and safety services may include installation of carbon monoxide testers and smoke detectors. In certain cases, if EAD were to provide low-cost or no-cost weatherization services, it would be able to benefit more Louisiana residents. Examples include water flow controllers, furnace or cooling filters, and items that are primarily directed toward reducing infiltration, including weather-stripping, caulking, glass patching, and insulation.

ISSUES FOR FURTHER STUDY

We identified three issues that came to our attention during the audit but that were not within the scope of the audit. The issues may warrant future review and/or study by LHFA. They are as follows:

- Results Oriented Management and Accountability (ROMA)
 - Residential Energy Assistance Challenge Option (REACH)
 - Review of Other LHFA Programs
- ⇒ **ROMA** is an initiative designed to promote greater effectiveness among state and local agencies that receive federal funds for programs such as WAP and LIHEAP. ROMA promotes outcome-based management strategies, which could help low-income Louisiana residents get more effective, comprehensive energy services from EAD. A review of the ROMA initiative that specifically focuses on how it might benefit low-income residents of the state could provide meaningful results.
- ⇒ **REACH** is an additional DHHS program. The purposes of the program are to (1) minimize the health and safety risks that result from high energy burdens on low-income Americans; (2) prevent homelessness as a result of inability to pay energy bills; (3) increase the efficiency of energy usage by low-income families; and (4) target energy assistance to individuals who are most in need. A review of the REACH program that specifically focuses on how it might benefit low-income residents of the state could also provide meaningful results.
- ⇒ **Review of other LHFA programs.** Because of the issues addressed in this audit and the nature of the findings on program operations, data reliability, monitoring, communication, and compliance, LHFA and the legislature should consider requiring a complete review of all programs administered by LHFA.

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SCOPE AND METHODOLOGY

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. All performance audits are conducted in accordance with generally accepted governmental auditing standards as promulgated by the Comptroller General of the United States.

Scope

This audit focused on LHFA's Energy Assistance Department (EAD), which consists of the Weatherization Assistance Program (WAP) and the Low Income Home Energy Assistance Program (LIHEAP). For LIHEAP, we focused only on energy assistance payments. We did not include crisis or emergency payments in our audit scope. For program years 2002, 2003, and 2004,² we attempted to assess operations and practices, data accuracy and reliability, monitoring practices, compliance with legal and administrative requirements, and use of technology for both energy assistance programs. However, EAD was unable to provide all required information and documentation for each of the three program years. Therefore, some of our findings are based on data from only one or two program years.

Methodology

Assessing the effectiveness and efficiency of EAD operations and practices. To gain an understanding of how the energy assistance programs operate, we reviewed applicable federal and state laws, DOE and DHHS policies and procedures, the Office of Management and Budget's regulations for federal awards, LHFA's WAP and LIHEAP policy manuals, the LHFA Web site, EAD program files, and LHFA accounting records. We also held discussions with EAD program officials and LHFA senior management. For both WAP and LIHEAP, we reviewed the allocation formula, budgets, monthly cost reports, final close-out reports, SF 269 reports filed with the federal government, state plans, and subgrantee contracts.

In addition, we surveyed the 11 other states in the DOE Central Region, which includes Louisiana, to determine if EAD's administrative processes, number of subgrantees, and funding allocation for WAP were comparable to the other states. We received responses from all 11 states, compiled the responses, and documented our conclusions. We also surveyed the other four states in Louisiana's DHHS LIHEAP region to determine if EAD's administration, funding, and number of subgrantees for LIHEAP were comparable to the other states. However, Arkansas was the only state that responded to the survey. Thus, we only documented the comparison between Louisiana and Arkansas for LIHEAP.

We identified and evaluated relevant internal controls in EAD and documented all deficiencies we identified.

² The WAP program year is from April 1 through March 31. The LIHEAP program year is from October 1 through September 30.

Assessing the accuracy and reliability of reported data. For program years 2002, 2003, and 2004, we reviewed statistical and financial data that EAD reported to DOE for WAP and to DHHS for LIHEAP. We also reviewed, analyzed, and compared the DOE award letters, DHHS award letters, allocation formulas, budgets, monthly cost reports, final close-out reports, SF 269 reports, state plans, and subgrantee contracts to each other to determine if the reported statistics and financial data for WAP and LIHEAP were accurate and reliable.

Determining whether monitoring ensured that program objectives were met. We reviewed WAP and LIHEAP monitoring requirements and interviewed EAD management and staff to determine the process for monitoring subgrantees, which included how EAD determined the number of weatherized units and the number of LIHEAP financial assistance payments to monitor each year. We also interviewed EAD staff to determine how EAD selected its samples and sample sizes for review. We reviewed monitoring files for five WAP subgrantees for program year 2003 and for nine LIHEAP subgrantees for program year 2002 to document the number of weatherized units or financial assistance payments EAD staff had monitored. We then compared the work performed by the EAD staff during their monitoring visits to the EAD monitoring policies and procedures and noted any discrepancies.

Assessing internal communication. We interviewed EAD management and staff, LHFA accounting staff, LHFA senior management, and members of the LHFA Board of Commissioners about internal communication and operations of WAP and LIHEAP. We also reviewed board minutes from October 2002 through September 2004 and researched information on board members available from various state entities. We reviewed information from the Institute of Internal Auditors and compared communication within LHFA to best practices information.

Assessing compliance with legal and administrative requirements. We reviewed federal statutes, OMB circulars, LHFA policies, and EAD policies related to WAP and LIHEAP. We then determined whether EAD was in compliance with applicable legal and administrative requirements and noted any discrepancies.

MANAGEMENT'S RESPONSE



Louisiana Housing Finance Agency

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GOVERNOR

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March 7, 2005

Mr. Steve Theriot
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 94397

Dear Mr. Theriot:

The Louisiana Housing Finance Agency ("LHFA" or "Agency") is in receipt of a draft performance audit of the Louisiana Housing Finance Agency's Energy Assistance Programs. We thank you and your staff for the highly professional and considerate approach taken in performing the audit of our Energy Assistance Department. The performance audit staff, Ms. Fitzgerald and Mr. Greer should be recognized as a great benefit to the state and, more specifically, our organization for their helpfulness and patience in assisting our management identify and correct deficiencies uncovered through their review. It was a refreshing opportunity to have such a personable and common sense approach to an audit function.

Our Agency was aware of managerial and staffing shortcomings prior to the initiation of the performance audit and was beginning to take steps to address these matters. Although we were presented with personnel challenges we were somewhat surprised with the results of your audit. As you know, these programs were transferred to the Agency in 2001 from the Department of Social Services. Since that time, the Weatherization Program has had two monitoring visits by the Department of Energy ("DOE"), and LIHEAP has yet to be monitored by the Department of Health and Human Services (DHHS). We have never been formally advised by either of these Agencies of any major programmatic deficiencies. In fact, DOE's most recent monitoring, conducted during the same period as your audit, resulted in no findings. Because of this, we were even more shocked by the reported problems encountered by your audit staff and managers. A copy of the DOE's monitoring report is attached for your review.

The Agency has grown significantly within the past five years from administering three (3) major programs to administering nine (9) major programs. Consequently, we

have evolved from thirty-one (31) employees to over ninety (90) employees within the same time frame. Notwithstanding our rapid growth and lack of comprehensive job descriptions, the Agency has and continues to undertake evolutionary steps to meet the demands of properly serving the citizens of the State. We recognized that our organizational structure, staff's skill sets, and policies and procedures were in need of strengthening. Provided below are some of the steps taken to address recognized shortcomings and those resulting from the performance audit findings:

- Replaced the Energy Assistance Department Manager with an individual given specific direction and skills to improve operations, compliance and functionality
- Created a Chief Operating Officer position to guide and respond to the needs of the daily operations, information technology, and Human Resource and program assistance
- Established a second Program Director position to relieve current Director of excessive workload
- Established an Accounting Department Quality Assurance Section to coordinate process improvements throughout the various Programs and reconciliation of financial data to department reported information
- Hired a Human Resources Director with extensive experience in Civil Service interaction, evaluative skills in developing appropriate job descriptions, training development and hiring quality candidates
- Redefining of job skill sets to address departmental business practices needs
- Assigned to a Program Manager the sole responsibility to develop functional and complete process / procedure manuals for all Programs
- Recommendation to Board of Commissioners to create an Audit Committee with Internal Audit Supervisory reporting directly to it
- Developing an Education Tuition Reimbursement Policy to provide staff the opportunity to work toward degree programs
- Establishing additional training opportunities for staff to improve business, programmatic, analytical and technological skills

Our objective is to become proactive in developing appropriate mechanisms to conduct Agency business in the most efficient and effective manner. We have a lot to do with little response time. Further, we feel that this short time frame of implementation should allow the Agency to complete our objectives before additional audit reviews are undertaken.

We have reviewed the draft recommendations and offer the following to be incorporated into the final report:

Recommendation 1:

EAD should adopt and implement a formal policy that encourages subgrantees to expend the majority of their contracted WAP and/or LIHEAP funds each year. The policy should include sanctions for not using a stated percentage of their budgets and/or incentives to use a stated percentage of their budgets.

The LHFA agrees with this recommendation and will implement a formal policy to ensure that subgrantees services/performances produce maximum benefits to the public. The policy will impact contract awards to subgrantees based on their compliance with established performance measures. Incentives and sanctions will be imposed to encourage total expenditure of contract awards. Subgrantees will be immediately advised of such change and given ample time to implement appropriate corrective measures to ensure that they will provide optimum services/performance.

Recommendation 2:

EAD should continue using the newly developed funding allocation formula for WAP and LIHEAP. EAD should also review the allocation formula each year and determine if it requires any enhancements or modifications resulting from program changes, changes in statutes, etc. EAD should keep in mind that the formula should result in the maximum number of low-income residents being served.

The LHFA agrees with this recommendation and will continue to use the newly developed funding allocation for WAP and LIHEAP.

As noted in the audit report, for fiscal year 2001, the LHFA inherited the allocation formula as provided by the Louisiana Department of Social Services. Failure of supervisory personnel to understand the formula composition, purpose and compliance with regulatory requirements, led to the continued use of the inaccurate formula. Such lack of attention to details was the impetus for supervisory replacement. Upon recognition of the inadequacies in judgment, ability to guide staff and job responsibilities, a new and competent, skilled manager was hired. The new manager immediately recognized the deficiencies in the formula and took corrective action by redefining the allocation formula. Formal and practical annual reviews of the formula will be conducted and will consider maximum benefits to low-income residents.

Recommendation 3:

EAD should reduce the number of subgrantees that provide weatherization services and energy assistance to low-income residents of the state and should serve all parishes in contiguous regions. In doing so, EAD should contact other states for their input and obtain guidance from DOE and DHHS.

The LHFA agrees that the Energy Assistance Programs can be managed more efficiently if the number of subgrantees is reduced.

The LHFA has already contacted DOE and will contact DHHS, as well as other states to seek guidance on an appropriate reduction process. The Agency fully understands and expects objections to this process. Nevertheless, the LHFA will work closely with the Louisiana Association of Community Action Partnerships, Inc., DOE and DHHS to develop a fair and equitable reduction strategy.

Recommendation 4:

EAD management should track and monitor monthly statistical and financial data received from subgrantees for WAP and LIHEAP to ensure that the data is accurate, logical, and reliable. In cases where subgrantees submit cost reports or annual close-out reports that contain inaccurate data, EAD should return the reports to the subgrantees and require them to amend and resubmit the reports.

The LHFA agrees that it should better track and monitor statistical and financial data received from the subgrantees for WAP and LIHEAP. We also agree that the Agency should return subgrantee reports that are deficient.

Whereas, the manner in which the Energy Department tracked and monitored statistical and financial data from the subgrantees is lacking, we strongly believe that our Accounting Department's files are reliable and accurate. With the hiring of a new Energy Departmental Manager and the creation of a Quality Assurance Section, the Agency will track and monitor more effectively statistical and financial data received from subgrantees. Further, we will expect complete accountability from subgrantees and will return reports that are deficient.

The use of improved technology is an absolute objective of the LHFA. As a result, the LHFA is currently negotiating with software vendors to purchase Weatherization and LIHEAP Web Based Software Systems. It is our goal to upgrade and improve technology within the Energy Assistance Programs by the end of the calendar year.

Recommendation 5:

EAD should use available technology such as electronic reporting of subgrantee activities, e-mail, database technology (possibly including HDS), and spreadsheet capabilities to help ensure that it accumulates and reports accurate and reliable data to outside parties. The technology should include data entry controls such as edit checks, exception reporting, access controls, reviews of input and output data, and general security controls.

The LHFA agrees that improved technology is necessary and essential to the efficient and effective operations of the Energy Assistance Program. As stated above the LHFA is currently negotiating with software vendors to purchase Weatherization and LIHEAP Web Based Software Systems. It is our goal to upgrade and improve technology within the Energy Assistance Programs by the end of the calendar year.

Recommendation 6:

EAD should amend its policies for monitoring WAP and LIHEAP subgrantees to require that a representative sample for each subgrantee is reviewed during each program year. EAD should determine the number of WAP and/or LIHEAP files to monitor based on a percentage of the total units weatherized (for WAP) and the total households provided energy assistance payments (for LIHEAP) during the program year under review.

The LHFA agrees that the WAP and LIHEAP Monitoring Policies should be amended to ensure that an appropriate representative sample of files/units is reviewed during monitoring visits.

The LHFA has determined that the policy created by the previous energy manager was not practical and therefore flawed. Recognizing that this was not the most prudent manner in which to monitor, the Agency has taken immediate action to revise the Monitoring Policy Guidelines accordingly. The new Monitoring Policy Guidelines will become effective May 2005.

Recommendation 7:

EAD should take advantage of the synergies that exist between WAP and LIHEAP subgrantees. For example, each of the 23 current WAP subgrantees is also a LIHEAP subgrantee. Therefore, EAD monitors should conduct monitoring visits for both programs at the same time to increase efficiency and reduce administrative costs.

The LHFA agrees that the EAD should take advantage of the synergies that exist between WAP and LIHEAP subgrantees.

Notwithstanding different programs fiscal years and varying completion/service schedules, the LHFA will monitor programs simultaneously. To meet this objective, the current programs monitoring schedule will be amended accordingly.

Recommendation 8:

LHFA senior management should update the Policy Manual by developing formal policies and procedures that govern the daily program and financial operations of the Energy Assistance Department. LHFA should clearly communicate the new policies and procedures to EAD in an effective manner.

The LHFA agrees that Policy Manuals should be updated and clearly communicated to staff. Accordingly, prior to this report, Energy Department Management was tasked with the responsibility to update and revise their operating and procedure manuals. Unfortunately, this task was not completed by the start of the LLA audit.

Senior management understands the importance of having updated policies and practical procedures and has reassigned this task to be the sole responsibility of a departmental level manager. Senior management will ensure that this individual develops program specific manuals for the purpose of identifying procedural requirements for each Agency program, and allow the manual to serve as the basis of training for new and current employees. Each manual shall delineate the purpose, function and directives on compliance and detailed procedures to plan direct and control each program. Although development of the program manuals will reside with the new position, implementation and compliance will be a function of the Accounting Quality Assurance Section, departmental managers, senior management, Internal Audit and the Chief Operating Officer.

Recommendation 9:

LHFA should develop job descriptions and duties for EAD staff that appropriately reflect each individual's responsibilities. LHFA should also require accountability of EAD staff for the areas of program operations and finances they are responsible for and develop ways to eliminate duplication of efforts.

The LHFA agrees with this recommendation and has initiated contact with appropriate Civil Service staff to review positions, job descriptions and duties for each LHFA position. Effective job performance and attentiveness to job requirements will be monitored and the appropriate personnel action will be taken to ensure appropriate program compliance standards.

Duplication of efforts shall be minimized with the careful coordination of the Accounting Quality Assurance Section working closely with departmental staff, senior management and Internal Audit.

Recommendation 10:

LHFA senior management should ensure that the agency's most recent annual report is posted on the LHFA Web site and should implement procedures to update the posting each year. In addition, LHFA should have a clear mission and ensure that it is communicated correctly on its Web site.

The LHFA agrees with this recommendation and will ensure that the Agency's website contains accurate and current information. Within the next 30 days from the date of this letter, the LHFA will engage the services of a website development

firm to address the Agency's web site design and capabilities. Part of the website development will include ease of inclusion, ease of navigation and periodic reviews.

Recommendation 11:

The LHFA Board of Commissioners should amend its bylaws to create an energy committee. The committee should be responsible for receiving regular reports from the EAD program manager on WAP and LIHEAP activities. The committee should present relevant issues, concerns, and/or problems to the full board at its monthly meetings.

The LHFA Board of Commissioners has established an Energy Committee. The LHFA's Board Committees are created by the Board and not by amending bylaws. Further, staff routinely includes Energy Assistance Department reports in monthly Board materials. Should the Board desire any additional information or a verbal report, staff will comply. However, senior management will offer this recommendation to the Board of Commissioners for consideration.

Recommendation 12:

The Board of Commissioners should amend its bylaws to create an internal audit committee. The committee should be responsible for receiving regular reports from the LHFA internal auditor on WAP and LIHEAP audit activities and any other issues of concern. The committee should present audit issues and results to the full board at its monthly meetings.

The LHFA's Board Committees are created by the Board and not by amending bylaws. However, senior management agrees with this recommendation and will offer this recommendation to the Board of Commissioners for consideration. Several attempts have been initiated to establish an Audit Committee, with independent and direct reporting to the Board.

Due to recent vacancies in key Board positions we have not been able to accomplish this objective. With recent Board appointments and election of officers, we believe that this recommendation will be implemented.

Recommendation 13:

The LHFA president should take steps to ensure that the internal audit department is organizationally independent of LHFA senior management and that the auditors work for and report directly to the LHFA Board of Commissioners and/or its audit committee.

This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for their consideration.

Recommendation 14:

The audit committee should review information published by the Institute of Internal Auditors to become familiar with board responsibilities and duties in relation to the internal audit function.

This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for their consideration.

Recommendation 15:

The LHFA Board of Commissioners should amend its bylaws to state that there are 15 board members instead of 16 and to include the correct address for LHFA.

This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for their consideration.

Recommendation 16:

The LHFA Board of Commissioners should elect a chair and a vice chair at the earliest possible time.

At its February 2005 meeting, the Board of Commissioners elected officers.

Recommendation 17:

The members of the LHFA Board of Commissioners should improve their attendance at board meetings. In addition, the chair should encourage members to attend meetings regularly and take action if individual members develop a pattern of absence.

This recommendation is supported by LHFA senior management and will be brought to the Board of Commissioners for their consideration.

Recommendation 18:

The LHFA board secretary should ensure that all links on the agency's Web site that list the names of the Board of Commissioners contain accurate and complete information. In addition, the board secretary should work with the Secretary of State, the Assistant Secretary of the Senate, and the Governor's Office of Boards and Commissions to ensure that all entities have the same, accurate information.

LHFA senior management agrees with recommendation and has updated the web site to accurately reflect the names of the Board of Commissioners. The Agency has also sent updated Board information to all entities referenced above. The Agency will establish a web master, under the direction of the Chief Operating Officer, to be responsible for timely updating the website.

Recommendation 19:

LHFA should adopt and implement a formal policy that disallows the combining of WAP and LIHEAP funds for budget purposes. The policy should be effectively communicated to EAD program staff and LHFA accounting staff.

The LHFA agrees that combining WAP and LIHEAP funds for budget purposes should be discontinued. The LHFA at all times requires full compliance with federal, state, and local laws and regulations. Errors in judgment or interpretation may from time to time be discovered, corrective action taken, but under no circumstances do we operate in such a fashion or accept any action less than complete compliance. Although LHFA management agrees with the recommendation, we object to the statement that "EAD may have given the impression that it is not important to fully comply with federal requirements". Therefore, the LHFA will immediately stop the practice of combining WAP and LIHEAP funds for budgeting and accounting purposes. This step should provide better accountability in the program process. The formal policy will be incorporated in the revised Policy Manual and communicated to departmental staff and accounting personnel.

Recommendation 20:

At the beginning of each new program year, EAD should determine whether 60% of the state's median income or 150% of the poverty level is greater and use the higher amount as the eligibility requirement for WAP and LIHEAP.

The LHFA agrees with this recommendation and the revised manual will require annual evaluation of the criteria to determine income eligibility requirements. Use of the incorrect valuation for program year 2002 is another example of accepting transitional data received from the DSS without department management exercising good judgment and review of applicable federal requirements.

Again, we thank you and your staff for your professionalism and look forward to working with you as we continue to implement our corrective actions in the Energy Assistance Department. Hopefully, you will allow us to call upon your staff to provide insight as we proceed.

Sincerely,



Helena R. Cunningham
President

encl.



file

Denver Regional Office
Office of Energy Efficiency and Renewable Energy
U.S. Department of Energy

August 30, 2004

Ms. Helena Cunningham, President
Louisiana Housing Finance Agency
2415 Quail Drive
Baton Rouge, Louisiana 70808

Dear Ms. Cunningham:

On June 8-10, 2004, I visited the Louisiana Housing Finance Agency to perform a monitoring review of the DOE's Weatherization Assistance Program (WAP), and to provide technical assistance to the weatherization staff. The purpose of this correspondence is to provide you with a report on my visit. I apologize for the delay in getting this to you, but I wanted to review with Saturn Resources the evaluation that they completed on the Louisiana Weatherization Program, and that couldn't be scheduled until early August, 2004.

First, let me say that there were no major findings as a result of the review part of my visit. While the program appears to be in compliance, there are however, several concerns that I have related to the implementation of the program. I will go over these concerns in this report.

At the onset of my visit, I conducted an initial briefing with your staff to go over the purpose of the visit, review the procedures I would follow, and to set the agenda for the visit. I also visited a local subgrantee agency in Baton Rouge, where I met with the weatherization coordinator and some of his field staff, and visited a few homes in various stages of the weatherization process.

Prior to my visit I had provided a list of questions on various topics such as contracts, financial and programmatic processes, accounting and monitoring procedures, and general record keeping practices conducted by your office for the WAP. During my visit, your staff provided responses to the list of questions and a copy of an "Annual Report" that covered the strengths, weaknesses, issues, and goals of the Louisiana Weatherization Assistance Program (LWAP). I found this report to be very insightful and in line with many of my observations. I spent a great deal of my visit providing technical assistance to your staff on issues contained in this report and reviewing their responses to my list of questions. Please thank your staff for providing the responses in an open and candid manner, which allowed me to spend more time providing guidance and assistance, and clarifying program rules and expectations.

At the conclusion of the visit, I met with you and Debra Washington of your staff and presented the results of my visit. In hindsight, it was unfortunate that other weatherization staff were asked not to attend the meeting, as I feel they could have benefited from hearing our discussion since they are involved in the daily administration and implementation of the program.

1617 Cole Boulevard MS 1721 Golden, Colorado 80401 Phone: 303/275-4826 Fax: 303/275-4830



Organization:

It appears that staff members who work on the LWAP are trying to do a good job of managing their responsibilities related to program management and oversight. While program compliance with federal regulations seems to be occurring, I think there are some areas related to staff organization that would help to improve the overall management and oversight of the program. First, there has been some confusion on my part as to who the primary point of contact is for the Weatherization Assistance Program. Usually, in many states this person is the appointed Weatherization Program Manager. However, I have not been given clear guidance as to who this person is with LWAP. During my visit an organization chart of the Energy Assistance Department was provided to me, and there was some discussion about the chart, but I still don't have a clear picture who the designated Program Manager is. I would appreciate it if you would let me know in your response to this report, who the primary contact and Program Manager is for the LWAP.

As I stated in my exit meeting with you and Debra, LHFA's organizational staffing for the weatherization program appears to be weak in the area of technical knowledge, expertise, and understanding of state-of-the-art weatherization applications. Until just before my visit, there had been a staff person on board that had this technical background, but this person was transferred to another position out of the weatherization program and to my knowledge has not been replaced. The organization chart that was given to me indicates that there are two positions open within the Energy Assistance Department, and I recommend that one of these positions be filled with someone with a technical background to augment the remainder of the LWAP staff.

On the subgrantee level, I visited only one agency, so I didn't spend a lot of time reviewing or interacting with the network of providers. Most of my comments regarding the subgrantees are the result of my discussions with Saturn Resources and the results of their extensive interaction with the subgrantee network. Overall, it appears that the network appears to be sufficient, organized, and dedicated to providing high quality services. One concern I have with the overall organization of the LWAP, which I have expressed to you and your staff in the past, is with the overall efficiency of the LWAP with so many small—in terms of homes weatherized annually—subgrantees. I have to question the efficiency of having to train, monitor, and oversee so many subgrantees, especially those who do less than 15 units per year. I understand this is a delicate and difficult issue for LHFA to deal with and I do appreciate the efforts that have been made on this issue to date. Nonetheless, my concern still exists. To help address the training issue, LHFA should be commended on its recent efforts to provide training and on its efforts to seek continued training activities.

General Administration and Program Management:

Internal controls and management processes appear to be in place and working, although not to the highest degree of efficiency or expediency that is possible. For example, it is discouraging to see the rate of progress being made in addressing the recommendations that have been made by outside reviewers hired by LHFA to review the LWAP. It has been over two years since the comprehensive WAP review was completed by Saturn Resources and the recommendations for improvement were provided to LHFA. Since then, there appears to be little progress being made in addressing the recommendations. During telephone conversations I have had with LHFA staff, and during my visit, I have stated concurrence with several of the recommendations made

by Saturn to improve the performance of the LWAP. Nonetheless, progress to address these issues continues to be slow. The recommendations are too numerous to list here but the major recommendations are discussed in other areas of this report. The main recommendation which I agree with and which I will discuss here, is for LHFA to develop a plan to move the weatherization program away from so many repair-type services and focus on energy efficiency type services (with appropriate health and safety measures included.) I understand the condition of the housing stock in Louisiana is such that extensive repairs are needed in most houses that need weatherization, however, the WAP funds are intended primarily to address energy efficiency needs within the homes. It has been recommended, and I agree, that it should be a high priority of LHFA to find, leverage, or partner, with other funding sources for repair-type applications. The Saturn Resources report gave specific suggestions on where these funds may be available.

In addition to the above, the current policies and procedures that are in place to guide program implementation appear to be complicated, cumbersome, and burdensome. I understand efforts are underway to address this issue by revising the policies. However, again, progress seems to be slow. Throughout Saturn's report—and I noticed the trend also—it appears that too much paperwork and burdensome procedures are required of the subgrantees. For example, too much attention is being focused on documentation of some procedures such as: the use of the NEAT audit; air leakage procedures and related blower door usage; and an extensive amount of photos being taken on-site. It appears these policies and procedures may be discouraging the extent of effective weatherization applications. In addition, these and other required procedures appear to also be contributing to a high rate of denial of weatherization services (walk-aways), which contradicts the intent of the WAP and impedes the progress of the Louisiana weatherization program.

Financial Management:

This has been an area of growing concern that we have here at the DOE regional office. While the bottom line always seems to "zero out" for the DOE WAP grant at close-out time, the accuracy of the reported expenditures in specific categories reported to us in quarterly reports until recently, seems to have been inaccurate. This issue has been discussed over the telephone on different occasions with LHFA WAP staff and staff from this office, and it was discussed at length during my visit. During the visit, LHFA's weatherization and accounting staff and I were able to meet and discuss this issue, and by openly discussing the issue I believe we finally resolved it during the meeting. I appreciate the fact that the LHFA staff and I were able to openly discuss the problem, thereby allowing us to come to a resolution once everyone understood what and where the problem was and how the numbers should be reported.

There was however, an unfortunate misunderstanding that occurred between your staff and upper management, related to this problem. The misunderstanding centered around a request by your program staff that I apprise them of the whole issue around my concern before they discuss this issue with upper management. I took this to mean the staff wanted to fully understand the issue and my concerns so they could effectively communicate this to upper management. However, somehow this got twisted around and reported to you that they had asked me to withhold this issue from upper management. I do not believe this was their intention. Nonetheless, I believe we were able to get on track and resolve the reporting issues, and I urge you to please continue to

support the staff in their efforts to maintain this level of coordination and communication with staff from this DOE office.

Technical and Field Applications:

My observations of the technical and field aspects of the LWAP indicate that some progress has been made in identifying the direction the program would like to go as evidenced by: the procurement of evaluations and reviews by outside experts--Saturn Resources, and Bob Adams of NASCSP (National Association of State Community Services Programs)--and in procuring training for subgrantees through Montana State University. There are however, some remaining concerns which are discussed below:

- The program is advancing at a very slow pace in adopting recommendations for program improvement. The Saturn Resources report was provided in November of 2002 and the review by Bob Adams was conducted in 2003. I reviewed the recommendations made by both Saturn and Bob Adams, and discussed them on different occasions with LHFA staff. I also told the LHFA staff that I would hold off conducting a monitoring visit until the agency has had time to make progress in addressing the recommendations. Having put my visit off until 2004 I had hoped to see more progress made on the recommendations, but progress has been very slow and I have not seen a timetable indicating when milestones are expected to be addressed and completed.

Louisiana, being a "hot climate" state should be progressing more rapidly in adopting measures specific to its climate. It should also be adopting other, more state-of-the-art measures that can provide significant energy savings on the electric base-load side of energy use, such as refrigerator replacements, like many states are now providing. The use of Priority lists rather than individual audits has been another recommendation for which much discussion has taken place, yet little progress toward adopting the use of the priority lists has been made.

In reviewing the processes and procedures that were done on houses that I visited it was clearly evident that there is a lot of misunderstanding about how houses should be audited, tested, and retrofitted, to provide the most significant energy savings and health and safety improvements as possible. It appeared that too much attention was being paid to measuring doors and windows (that may or may not be replaced); looking at the house from a repair perspective rather than an energy savings perspective; doing prescriptive rather than blower door-driven air leakage work; not evaluating or conducting the benefits of sealing or insulating ductwork; not insulating attics when minimal insulation exists (for reasons that could be addressed, such as knob and tube wiring) ; and basically not looking at the house from a "whole house" perspective.

- There are too many denials of services being done for reasons that could be addressed. For example, denying services to a house that had no insulation in the attic because the house had knob and tube wiring, is a situation that should not be done in this era of advanced weatherization techniques. Attic insulation is one, if not the most beneficial energy conservation measure in any climate, and there are methods for working around knob and tube wiring. Similarly, denying services because a house is "too leaky" (too

high a blower door reading) and will take too much work, also should not be done. The policies that recommend denial for these situations should be revisited and training should be procured that would update the current policies and procedures being implemented in the LWAP. In many cases, these denied houses not only need the work the most, they also provide the greatest potential for energy savings and other benefits for the residents.

- The Louisiana WAP needs to move away from the repair attitude and focus on energy-efficiency improvements with WAP funds. While the housing stock is in such shape that repairs seem to always be necessary, the magnitude and scope of these repairs are often beyond the intent and purpose of the weatherization program. As was recommended by other reviewers, LHFA should make it a priority to try to partner with other funding sources available in Louisiana to address these problems. At a minimum, the Louisiana WAP could still perform some measures that provide energy savings benefits with WAP funds instead of focusing so much on repair type applications.
- There is a need to update measures installed for maximum energy savings. Implementing policies and procedures that promote measures best suited to hot climate states should be a priority for Louisiana. For example, one of the houses I visited had a heater/air conditioner and ductwork in the attic, yet the auditor did not call for safety checks or efficiency work on the AC unit, nor was the exposed ductwork above the insulation noted for possible treatment.

If the LHFA feels the NEAT audit is not providing appropriate measures, as I was told, then less emphasis should be placed on making sure all the NEAT measurements are being performed, and more emphasis should be placed in getting Priority Lists approved for use. Incorporating base-load measures, such as refrigerator replacements and compact fluorescent lighting should be a priority as they are in several states now. Many states (for example, Utah, Texas, and Colorado in our region) have now addressed and dealt with the typical barriers that are involved with providing these measures, such as the "perception" concern, and setting up delivery, removal, and decommissioning agreements. These states are often willing to offer consultation on how to address these barriers.

- There is a need to upgrade equipment, tools, vehicles and storage. To conduct a state-of-the-art weatherization program, it is necessary for providers (subgrantees) to be equipped with appropriate vehicles, equipment, and tools. For the past several years, DOE has been making it a priority for all grantees to review their state's inventory and attempt to upgrade as necessary. It is nearly impossible for subgrantees to be efficient and provide services that maximize the energy efficiency of homes if they do not have appropriate and well-maintained equipment, tools, and vehicles. LHFA should develop and then support a plan that will provide a comprehensive review and update of the type of equipment, tools, and vehicles that are being used by its subgrantees.
- As at the subgrantee level, there is also a need for technical and well trained staff at the LHFA level. As the nature of the DOE Weatherization Assistance Program continues to advance (one of the goals of the DOE Weatherization *Plus* initiative) many grantees

across the country have seen the need to add technical employees to their staff (for example in our region, North Dakota and Utah recently added technical staff, and Colorado, South Dakota, and Texas also have technical staff on board). I highly recommend this for LHFA.

DOE provides Training and Technical Assistance funds that can be used to assist grantees in this area. DOE also conducts a significant amount of training and technical assistance conferences, seminars and workshops. In addition, this regional office offers a "peer exchange" opportunity that is intended to specifically assist states with learning and sharing technical knowledge between states and subgrantees. I recommend that LHFA staff take advantage of this opportunity. I also recommend that LHFA focus on developing a training and technical assistance plan with the goal of improving technical knowledge for all staff that oversees the LWAP.

- The program appears to be too engrossed in paperwork and documentation of procedures, rather than focusing on increasing the number of high energy-saving measures and installations. Much has already been said regarding this concern. However, during my visit it became quite evident that old procedures that had been conducted in Louisiana in past years, are still prevalent in many of the policies and procedures that guide the Louisiana program. These policies and procedures often result in too much attention being focused on compliance with unnecessary paperwork requirements. For example, the numerous photos that are being taken on each job site are not only excessive costs but also contribute to excessive time being spent on an activity that exists for questionable reasons. In one file alone, I counted 38 pictures. Most of these were of windows and doors that were simply caulked, but photos were required to show proof of previous conditions, why they were not replaced, and the conditions after weatherization work had been performed. To me, this appears to be costly, expensive and an in-efficient use of program funds. Instead, auditors, inspectors, and installers should be properly trained and equipped to make appropriate decisions and perform their duties in an efficient manner, and then their judgment should be trusted until proven otherwise.

As I mentioned at the beginning of this report, much of the emphasis of my visit was to provide technical assistance, therefore there were no major findings. In addition to the comments in this report, I made several minor suggestions and recommendations that are not mentioned in this report, but were noted by your LWAP staff. All of my comments and recommendations are not intended to be critical or demean the LWAP in any way. They are intended to assist you and your staff with improving the quality of the Louisiana Weatherization Program, and I hope they will be taken in that context. That is the main intent behind this report. However, I would hope to see progress in number of these areas during my next monitoring visit. In the meantime, I will do my best to make myself and other appropriate staff here at this office available to provide any assistance or training that your staff requests.

A response to this report at your earliest convenience would be appreciated. Please provide feedback to the issues and concerns in this report, and indicate any changes you intend to implement to address the expressed concerns and recommendations.

I would like to thank you and your staff for the hospitality and cooperation you provided me during my visit. Also, I would like to express my appreciation to you and your staff, for your stated advocacy of energy efficiency through the Weatherization Program in the State of Louisiana in the years to come. As you know, Louisiana and your office will be hosting the National Weatherization Training Conference September 26-29, 2005, and this will be a prime opportunity to showcase the improvements made to the Louisiana Weatherization program. I look forward to working with you on this endeavor and in continuing our good working relationship in the years to come.

If you have any questions please contact me at 303-275-4843.

Sincerely,



Robert L. DeSoto
Weatherization Project Manager

cc: Debra Washington
Rosalyn Christopher
Lawand Johnson